Government of Canada | Gouvernement du Canada

Prepared by the
Receiver General for Canada

public accounts of canada

1990

Volume III

The President of the Treasury Board :

Annual Report to Parliament on Crown Corporations and other Corporate Interests of Canada

Canada

Government of Canada Gouvernement du Canada

Prepared by the
Receiver General for Canada

public accounts of canada

1990

Volume III

The President of the Treasury Board :

Annual Report to Parliament on Crown Corporations and other Corporate Interests of Canada

Canada

Available in Canada through
Associated Bookstores
and other booksellers

or by mail from

Canadian Government Publishing Centre
Supply and Services Canada
Ottawa, Canada K1A 0S9

Catalogue No. P51-1/1990-3E
ISBN 0-660-13733-X

For information about matters reported in this volume, contact
Policy and Corporate Information Division
Crown Corporations Directorate
Department of Finance and Treasury Board of Canada
Phone 613-957-0156

Version française est aussi disponible

THE PRESIDENT'S MESSAGE

I am pleased to present the seventh consolidated Annual Report to Parliament on Crown Corporations and Other Corporate Interests of Canada.

Last year's report coincided with the fifth anniversary of the framework established in 1984 for the control and accountability of Crown corporations. My predecessor noted at that time that considerable progress had been made towards effective management of the Government's portfolio of Crown corporations. This view was subsequently supported by the Auditor General in a chapter in his October 1989 report to the House of Commons devoted to an assessment of the implementation of the framework. He commented on the numerous improvements since 1984 and concluded that "all the fundamental processes are in place".

Much of that progress is attributable to the efforts of the employees, management and boards of directors of Crown corporations, who face unique and difficult challenges in running a diverse array of business and public policy entities on behalf of Canadians. In November 1989, the Government held the first conference of Chairpersons and Chief Executive Officers of all its Crown corporations, to provide a forum to discuss those challenges and to exchange views on how to improve productivity and better manage scarce resources in the coming years.

The management of Crown corporations together with the government's privatization and rationalization efforts are contributing to greater economic efficiency and deficit reduction. As part of these efforts, Crown corporations were asked in the February 1990 Budget to return more of their income by way of dividends to the government, their shareholder, and were encouraged to function in a more commercial way. Some of the achievements in 1989/90 include:

- the sale on July 5, 1989 of the remaining 57% of the government's shares in Air Canada;
- the announcement in the February 20, 1990 Budget of the government's intention to privatize Petro-Canada, and to sell the government's shares in Telesat Canada;
- a major rationalization of VIA Rail;
- the introduction on May 31, 1990 of Bill C-73 to wind up four Crown corporations (Canadian Livestock Feed Board, Canadian Patents and Development Ltd., Harbourfront Corporation, and Mingan Associates Ltd.) and to change the status of two others from parent Crown corporations to subsidiaries (Canada Harbour Place Corporation and Canada Museums Construction Corporation Inc.);
- dividend payments to the government from 10 corporations, totalling $118.2 million.

The overview which follows summarizes the financial and employment situation of the Crown corporations. It also highlights developments in a number of specific corporations.

OVERVIEW

At the end of the 1989-90 reporting period, there were 53 parent Crown corporations. Forty-five of these are listed in Schedule III of the Financial Administration Act (FAA), and their business and activities are governed by Part X of the FAA and its related regulations. The remaining eight are exempt from the provisions of divisions I to IV of Part X.

In addition, three subsidiary corporations have been directed by the Governor in Council to report their affairs as if they were parent Crown corporations listed in Schedule III: Petro-Canada International Assistance Corporation and two of the three subsidiaries of Canada Lands Company Limited: Canada Lands Company (Mirabel) Limited, and Old Port of Montreal Corporation Inc.

Fourteen of the 53 parent Crown corporations are listed as commercial corporations on Schedule III Part II of the FAA. Thirteen of them generated profits totalling $440.5 million, on a cash flow of $1.3 billion, in 1989-90. Total assets of the commercial corporations decreased from $20.4 billion in 1988-89 to $18.2 billion in 1989-90, and shareholder's equity declined from $9.9 billion in 1988-89 to $8.5 billion in 1989-90, mainly because of a write-down of assets in the Canada Development Investment Corporation, reflecting lower resource prices, and a change in Petro-Canada's accounting methods.

Thirty-one parent Crown corporations, listed on Schedule III Part I of the FAA, normally receive apropriations from government to cover program costs and/or capital expenditures. Total budgetary payments to these corporations and to the exempt corporations remained relatively constant in 1989-90, at $4.6 billion. Combined total assets of these corporations increased from $33.5 billion in 1988-89 to $34.4 billion in 1989-90, and shareholder's equity rose from $2.9 billion to $3.4 billion over the same time period.

Total Crown corporation borrowings and other liabilities to the private sector and Canada also remained relatively stable in total for 1989-90. Major increases occurred for the Export Development Corporation ($0.6 billion) and The Canadian Wheat Board ($0.7 billion), while the Farm Credit Corporation and Canada Deposit Insurance Corporation decreased their borrowings and other liabilities by $0.8 billion and $0.3 billion respectively.

Employment continued to decline to 136,000 from 142,000 the preceding year. The decline is primarily attributable to the rationalization of VIA Rail and to downsizing in Petro-Canada, Canada Post and Canadian National Railways.

CORPORATE HIGHLIGHTS

Highlights of the activities for specific corporations during 1989-90 include:

Atomic Energy of Canada Limited (AECL): The federal government joined Ontario and other provinces in a new federal/provincial funding initiative, in response to AECL's first operating loss in twelve years of $10.2 million. Key to this decision was the commitment by Canada's nuclear utilities, led by Ontario Hydro, to bear a larger share of nuclear research and development costs.

Canada Development Investment Corporation (CDIC): During 1989, the spot market prices for uranium concentrate declined significantly. In response, CDIC wrote down its investment in Cameco by $202 million. The write-down was the main cause of a shift in shareholder's equity from a positive $140 million last year to a negative $152 million this year.

Canada Mortgage and Housing Corporation(CMHC): Net earnings of $163 million achieved by the Mortgage Insurance Fund allowed CMHC to eliminate the actuarial deficit the Fund had been carrying for 10 years. Issuance of Mortgage-Backed Securities during 1989 totalled $2 billion - an amount twice that which had been expected.

Canada Museums Construction Corporation Inc. (CMCC): The exhibition wing of the Canadian Museum of Civilization opened to the public in June 1989, and construction of the building was finished during the summer of 1990. With the completion of its mandate, CMCC's status will be changed under Bill C-73 to a subsidiary of Canada Lands Corporation pending dissolution of the corporation.

Canada Ports Corporation and the Local Port Corporations: Revenues from operations for Canada Ports Corporation and seven local Port Corporations remained relatively stable at $170 million in 1989, despite a decline in traffic volumes. A drop in revenues from grain shipments was counterbalanced by increases in revenues from other commodities. In 1989, Canada Ports Corporation and the local Port Corporations paid dividends to the federal government totalling $13 million on a combined net income of $49 million. The February 1990 Budget announced that Canada Ports Corporation and the local Port Corporations would contribute $100 million towards deficit reduction in fiscal year 1990-91.

Canada Post Corporation recorded a $149 million profit for 1989-90, the second consecutive profitable year for the corporation, and paid a dividend of $60 million in June 1990. Mail volumes increased by over 10% from 1988-89 and 97% of properly prepared letter mail was delivered on time.

Canadian National Railways (CN): This year, CN's net income declined to $205.8 million from a record of $282.7 million in 1988, due primarily to slowdowns affecting a number of key resource sectors. The company again succeeded in further reducing its long-term debt during 1989, from $1.96 billion to $1.87 billion. CN paid $41.2 million in dividends in 1989.

The *Export Development Corporation* (EDC) supported $5.7 billion worth of Canadian exports during 1989. Loans totalled $1.3 billion, an increase of 25% over 1988, and insurance exceeded $4.4 billion, 12% higher than the previous record amount signed in 1988. In addition, $300 million in loans and insurance supported Canadian exports under the Canada Account. This account is administered by EDC and funded directly by the government to support export transactions considered to be in the national interest. EDC increased its allowance for loan losses by $200 million, resulting in a reported net loss of $199 million.

Farm Credit Corporation (FCC) continued to make good progress in recovering from the effects of the agricultural recession. Net loss for 1989-90 was $2.7 million, compared to $34.6 million in the previous year. New operating guidelines for lending, introduced in 1988 as part of a Recovery Plan, have contributed to the improvement. During 1989-90, Canada provided an equity infusion of $600 million to FCC, which was used to retire the equivalent amount in loans to Canada.

Petro-Canada: In 1989, Petro-Canada converted from the full cost to the successful efforts method of accounting for its exploration activities. Under "full cost", all well-drilling costs are capitalized, while under "successful efforts" only successful wells are capitalized and all other exploration costs are expensed as incurred. This accounting change makes Petro-Canada's financial statements more comparable with those of other integrated oil companies. The change required a $1.9 billion write-down of property, plant and equipment, a $0.7 billion reduction in deferred income taxes and a $1.2 billion reduction in the corporation's equity. Petro-Canada's negative equity position was subsequently eliminated through a reorganization of the corporation's capital structure. In the February 1990 Budget, the Minister of Finance announced that direct public ownership of Petro-Canada would be allowed. The Minister of State for Privatization and Regulatory Affairs subsequently announced that Petro-Canada's Board will be asked to offer an initial treasury issue of about 15% of the corporation to the public once necessary legislative and securities approvals are in place.

Royal Canadian Mint (RCM): In 1989, a share capital structure was established for the RCM and shares were issued to Canada in the amount of $40 million. The proceeds were used by the Mint to reduce its obligations due to the Government of Canada which were accumulated prior to 1988. During the year, the RCM paid $60.4 million of its net earnings to Canada.

VIA Rail: VIA made its new business plan public on October 4, 1989. The Plan reflects the reduction in subsidies to VIA of $1.0 billion over five years announced in the April 1989 Budget. As of January 15, 1990, VIA operates over 20 routes, maintains a coast-to-coast service and runs 191 trains weekly.

OFFICIAL LANGUAGES

The Treasury Board Secretariat has been working with Crown corporations to ensure implementation of the 1988 *Official Languages Act*. Annually, the President of Treasury Board submits a report to Parliament on the status of official languages programs in federal institutions. These annual reports include information on the application of the Act to Crown corporations.

EMPLOYMENT EQUITY

Crown corporations and other federally regulated employers with 100 or more employees are required under the *Employment Equity Act* to implement employment equity and to report annually on the results. Under the Treasury Board Employment Equity Policy, Crown corporations submit comprehensive action plans and progress reports each year. Pursuant to the *Employment Equity Act*, detailed statistical data on employment equity in Crown corporations and other federally regulated business organizations, are published in government documents which are available in major public libraries.

CONCLUSION

Crown corporations continue to fulfill an important role in the development of the economic, social and cultural fabric of Canada. The successes that many have achieved over the past year and previous few years reflect the quality of their employees, management and boards of directors, and the determination of the Government to adopt a more businesslike approach to the management of Crown corporations.

We will continue to ensure our policy framework provides Crown corporations with the support and flexibility needed to serve the Canadian public in an effective and cost-efficient manner.

Gilles Loiselle

Ottawa, Ontario
October 2, 1990

INTRODUCTION TO THE PUBLIC ACCOUNTS

Nature of the Public Accounts

The Public Accounts is the report of the Government of Canada prepared each fiscal year by the Receiver General as required by Section 64 of the Financial Administration Act.

The report covers the fiscal year of the Government, which ends on March 31, and is prepared from data contained in the accounts of Canada and from more detailed records maintained in departments and agencies. The accounts of Canada is the centralized record of the Government's financial transactions maintained by the Receiver General in which the transactions of all departments and agencies are summarized. Each department and agency is responsible for reconciling its accounts to the control accounts of the Receiver General, and for maintaining detailed records of the transactions in their accounts.

The report covers the financial transactions of the Government during the year. In certain cases, parliamentary authority to undertake transactions was provided by legislation approved in earlier years.

Format of the Public Accounts

The Public Accounts is produced in three volumes.

Volume I presents a summary analysis of the financial transactions of the Government.

Volume II is published in two parts. **Part I** presents the financial operations of the Government, segregated by ministry, while **Part II** presents additional information and analyses.

Volume III is the President of the Treasury Board's Annual Report to Parliament on Crown Corporations and other Corporate Interests of Canada. The Report responds to Section 151(1) of Part X of the Financial Administration Act.

The President of the Treasury Board's Annual Report to Parliament

The President's Report to Parliament includes a consolidated report on the businesses and activities of all parent Crown corporations and a report on the other corporate interests of the Government of Canada. It provides a listing of all Crown corporations and all corporations of which any shares are held by, on behalf of, or in trust for the Crown or any Crown corporation. Employment and financial data, including aggregate borrowings of parent Crown corporations and other information, and the audited financial statements of the corporations, are also provided. The Report is divided into three parts:

Part I provides consolidated financial data on all parent Crown corporations, as reported by them at their financial year-end on or before July 31, 1990. It also provides other corporation-specific and aggregated information.

Part II lists the corporate interests of Canada, provides supplementary information about them, and lists the subsidiaries of Crown corporations.

Part III contains the audited financial statements for each of the parent Crown corporations.

ANNUAL REPORT TO PARLIAMENT ON CROWN CORPORATIONS AND OTHER CORPORATE INTERESTS OF CANADA

TABLE OF CONTENTS

Statement of Responsibility

This Annual Report to Parliament on Crown Corporations and Other Corporate Interests of Canada is prepared under the direction of the President of the Treasury Board by the Crown Corporations Directorate of the Department of Finance and Treasury Board Secretariat. It responds to requirements of the *Financial Administration Act* that a consolidated report on the businesses and activities of parent Crown corporations, including information on all Crown corporations and other corporate interests of Canada, be tabled in Parliament. It is automatically referred to the Standing Committee on Public Accounts for review.

PART I

CONSOLIDATED REPORT
ON THE BUSINESSES AND ACTIVITIES
OF PARENT CROWN CORPORATIONS

CONSOLIDATED REPORT ON THE BUSINESSES AND ACTIVITIES OF PARENT CROWN CORPORATIONS

INTRODUCTION

Part I of this Annual Report is a compilation of the financial affairs of 55 parent and acting parent Crown corporations, including:

- the 45 parent Crown corporations contained in the listings of schedule III of the FAA Parts I and II;
- seven of the eight parent Crown corporations which, by s. 85(1) of the FAA, are exempt from the provisions of divisions I to IV of Part X of the FAA. The eighth exempt corporation, the Bank of Canada, is excluded from these tables because of the unique nature of its assets, liabilities, etc.;
- three subsidiaries of listed corporations which, by Orders pursuant to s. 86(2) of the FAA, report their affairs as if they were parent Crown corporations: Canada Lands Company (Mirabel) Ltd., Old Port of Montreal Corporation Inc., and Petro-Canada International Assistance Corp.;

1. Summary of Financial Information and Employment Data

- Table 1 presents financial and employment data for each parent Crown corporation as at the corporation's year-end.
- Table 2 provides data on the net earnings (loss), cash flow and financing activities as at each corporation's year-end.
- Table 3 compares the financial position of parent Crown corporations with the total recorded government investment as at March 31, 1990, the federal government's fiscal year-end. The table segregates Canada's investments into loans and advances, and investment in these corporations.

2. Summary Pages for each Parent Crown Corporation

- This section contains a summary page for each parent Crown corporation. Each page summarizes the corporation's financial performance for the past four years, and presents basic information about the corporation's mandate and background, along with general corporate data.

1. SUMMARY OF FINANCIAL INFORMATION AND EMPLOYMENT DATA

Description of Tables 1 and 2

Tables 1 and 2, which follow, respond to the requirement in subsection 151(3)(b) of the *Financial Administration Act* (FAA) that financial data, including employment and aggregate borrowings by corporations, be reported. The FAA calls for data for individual corporations "for their financial years ending on or before July 31, 1990". The year-ends of these corporations vary (i.e. March, April, July, August and December) but all end on or before July 31, 1990.

Reporting of data is based on the following definitions:

- **Liabilities** (current and long-term) include obligations (defined as short-term and long-term borrowings and capital leases) and other liabilities (accounts payable, accruals, and deferrals and other).

- **Shareholder's Equity** represents the equity of Canada. For four corporations, *Canadian Dairy Commission, Canada Council, The Canadian Wheat Board* and *Freshwater Fish Marketing Corporation,* the shareholder's equity is nil because the excess of assets over liabilities is due to clients.

- **Employment Data** describe the number of employees as at the year-end of the corporation. They relate to the parent corporation and all its subsidiaries. The Bank of Canada is excluded.

- **Net Earnings (Loss)** is after taxes, where applicable, and all extraordinary items. It includes appropriations received where the corporations have recorded them in earnings. For appropriation-dependent corporations, earnings is equivalent to "Excess of parliamentary appropriation over cost of operations".

- **Cash Flow** is defined as Net earnings (loss) from operations plus or minus items not requiring cash, for example, depreciation. Cash flow would also include appropriations where the corporation includes these in net earnings.

- **Changes to Obligations,** also called changes in net borrowings, includes changes during the financial period in outstanding long-term and short-term borrowings and capital leases.

- **Budgetary Funding from Canada** comprises cash paid for capital and operating purposes. Payments for which a class or kind of recipient is eligible are excluded from these data. (An example of such an exclusion is payments to railways under the *Maritime Freight Rates Act*.).

Description of Table 3

This table provides a comparison of the financial position of parent Crown corporations with the total recorded government investment in these corporations as at March 31, 1990, the government's year-end. The information is drawn from Volume I of the Public Accounts of Canada and is based on the financial statements for each Crown corporation. Since more than one-half of the corporations have other than March 31 year-ends, most of the data have been obtained from unaudited financial statements.

Reporting of data is based on the following definitions:

- **Loans and Advances and Investments** represent amounts recorded as assets in the accounts of Canada. The aggregate reserve in Canada's accounts in respect of all of these corporations is noted at the bottom of the table.

- **Aggregate Reserve** is as recorded in Canada's accounts pursuant to s.63(2) of the FAA.

TABLE 1

THE FINANCIAL POSITION AND EMPLOYMENT OF PARENT CROWN CORPORATIONS
(Crown corporation year-end, ending on or before July 31, 1990; $ million)

FAA Schedule	Year-end	Total Assets	Current Liabilities	Long Term Liabilities	Shareholder's Equity	Employ-ment
Schedule III-I corporations:						
Atlantic Pilotage Authority	December 31	2.3	0.7	0.6	1.0	75
Atomic Energy of Canada Limited	March 31	951.7	147.7	593.2	210.8	4,337
Canada Deposit Insurance Corporation[4]	December 31	591.0	3.3	1,438.7	(851.0)	63
Canada Harbour Place Corporation	March 31	67.3	0.4	nil	66.9	26
Canada Lands Company Limited	March 31	nil	nil	nil	nil	nil
Canada Lands Company (Vieux-Port de Québec) Inc.[3]	March 31	0.5	0.3	nil	0.2	nil
Canada Lands Company (Mirabel) Ltd.[1]	March 31	1.0	1.0	nil	nil	8
Canada Mortgage and Housing Corporation	December 31	9,212.6	343.5	8,819.1	50.0	3,103
Canada Museums Construction Corporation Inc.	March 31	202.9	15.7	nil	187.2	22
Canadian Commercial Corporation	March 31	829.8	788.8	0.9	40.1	97
Canadian Dairy Commission	July 31	242.7	242.7	nil	nil	71
Canadian Livestock Feed Board	March 31	1.9	2.5	0.2	(0.9)	23
Canadian National (West Indies) Steamships, Ltd.	December 31	1.5	0.3	nil	1.2	nil
Canadian Patents and Development Limited	March 31	1.5	0.6	0.3	0.7	25
Canadian Saltfish Corporation	March 31	16.3	49.6	1.3	(34.7)	46
Cape Breton Development Corporation	March 31	475.0	46.2	nil	429.1	2,951
Defence Construction (1951) Limited	March 31	2.3	2.2	2.9	(2.9)	264
Enterprise Cape Breton Corporation	March 31	25.7	3.2	nil	22.5	71
Export Development Corporation	December 31	6,566.8	3,020.1	2,841.9	704.8	490
Farm Credit Corporation	March 31	3,816.7	126.9	3,763.6	(73.9)	753
Federal Business Development Bank	March 31	2,822.2	308.3	2,148.6	365.4	1,111
Freshwater Fish Marketing Corporation	April 30	30.0	26.7	nil	3.3	41
Great Lakes Pilotage Authority, Ltd.	December 31	4.3	2.4	3.1	(1.2)	103
Harbourfront Corporation	March 31	31.0	5.8	nil	25.2	255
International Centre for Ocean Development	March 31	1.8	1.2	nil	0.6	52
Laurentian Pilotage Authority	December 31	5.9	6.4	0.7	(1.1)	281
Marine Atlantic Inc.	December 31	484.2	50.4	436.7	(3.0)	3,198
Mingan Associates, Ltd.	December 31	nil	nil	nil	nil	nil
National Capital Commission	March 31	343.7	35.4	7.1	301.2	992
Old Port of Montreal Corporation Inc.[1]	March 31	2.8	2.6	0.2	nil	42
Pacific Pilotage Authority	December 31	4.3	1.5	0.5	2.3	175
Petro-Canada International Assistance Corporation[1,2]	March 31	3.1	3.1	nil	negl.	30
St. Lawrence Seaway Authority, The	March 31	600.3	13.8	12.8	573.7	970
Jacques Cartier and Champlain Bridges Incorporated, The[3]	March 31	24.3	4.1	0.7	19.4	83
Seaway International Bridge Corporation, Ltd., The[3]	December 31	0.7	0.5	0.2	negl.	19

Standards Council of Canada	March 31	2.2	1.1	0.2	0.9	64
VIA Rail Canada Inc.	December 31	938.0	210.4	122.1	605.6	6,372
Total III-I corporations		28,308.3	5,469.4	20,195.6	2,643.4	26,213
III-II corporations:						
Canada Development Investment Corporation	December 31	657.1	278.5	531.0	(152.4)	10
Canada Ports Corporation	December 31	118.9	4.3	2.5	112.1	84
Canada Post Corporation	March 31	2,507.8	604.2	413.5	1,490.0	50,522
Canadian National Railway Company	December 31	7,105.4	1,221.4	2,344.0	3,540.0	38,450
Halifax Port Corporation	December 31	69.4	3.3	3.8	62.4	95
Montreal Port Corporation	December 31	230.9	8.9	11.3	210.6	575
Petro-Canada	December 31	6,818.0	1,591.0	2,469.0	2,758.0	6,468
Canertech Inc.[3]	December 31	16.3	30.3	nil	(14.1)	nil
Port of Quebec Corporation	December 31	72.1	3.2	0.9	68.0	100
Prince Rupert Port Corporation	December 31	101.1	5.9	52.7	42.4	16
Royal Canadian Mint	December 31	101.2	25.3	19.0	56.9	776
Saint John Port Corporation	December 31	92.1	1.6	40.2	50.3	59
St. John's Port Corporation	December 31	16.5	0.8	3.0	12.7	18
Teleglobe Canada	December 31	0.3	negl.	nil	0.3	nil
Vancouver Port Corporation	December 31	303.4	10.8	4.8	287.8	230
Total III-II corporations		18,210.5	3,789.5	5,895.7	8,525.0	97,403
Total Schedule III corporations		46,518.8	9,258.9	26,091.3	11,168.4	123,616
Exempt (Unscheduled) Corporations						
Canada Council	March 31	181.9	26.3	7.2	148.4	227
Canadian Broadcasting Corporation	March 31	941.0	202.4	137.9	600.7	10,512
Canadian Film Development Corporation	March 31	47.8	32.7	0.3	14.8	182
Canadian Institute for International Peace and Security	March 31	2.1	0.4	nil	1.7	39
Canadian Wheat Board, The	July 31	4,939.0	1,319.4	3,619.6	nil	434
International Development Research Centre	March 31	22.1	12.7	5.4	4.0	464
National Arts Centre Corporation	August 31	7.6	6.6	0.6	0.3	315
Total, exempt corporations		6,141.5	1,600.5	3,771.0	769.9	12,173
Grand Total, parent Crown corporations (except Bank of Canada)		52,660.3	10,859.4	29,862.3	11,938.3	135,789[5]

See Notes following these tables.

negl.= negligible

TABLE 2

NET EARNINGS (LOSS), CASH FLOW AND FINANCING ACTIVITIES OF PARENT CROWN CORPORATIONS
(Crown corporation year-end, ending on or before July 31, 1990; $ million)

FAA Schedule	Net Earnings (Loss)	Cash Flow	Changes to Obligations (Net Borrowings) Private Sector	Changes to Obligations (Net Borrowings) Canada	Budgetary Funding
Schedule III-I corporations:					
Atlantic Pilotage Authority	34.8	239.4	nil	(0.1)	0.5
Atomic Energy of Canada Limited	(10.2)	(2.8)	(2.0)	(30.0)	205.6
Canada Deposit Insurance Corporation	166.3	88.9	nil	(308.0)	nil
Canada Harbour Place Corporation	(2.0)	negl.	nil	nil	nil
Canada Lands Company Limited	nil	nil	nil	nil	nil
Canada Lands Company (Vieux-Port de Québec) Inc.[3]	nil	nil	negl.	(0.6)	nil
Canada Lands Company (Mirabel) Ltd.[1]	(0.2)	(1.8)	nil	nil	1.0
Canada Mortgage and Housing Corporation	30.5	32.1	nil	(189.0)	1,592.6
Canada Museums Construction Corporation Inc.	nil	nil	nil	nil	33.2
Canadian Commercial Corporation	7.2	7.2	nil	nil	17.1
Canadian Dairy Commission	21.8	21.8	(13.2)	26.9	287.5
Canadian Livestock Feed Board	(19.1)	(18.9)	nil	nil	18.1
Canadian National (West Indies) Steamships, Ltd.	0.1	0.1	nil	nil	nil
Canadian Patents and Development Limited	0.2	0.2	nil	nil	0.8
Canadian Saltfish Corporation	(19.4)	(7.3)	nil	2.0	nil
Cape Breton Development Corporation	(73.8)	(9.4)	nil	(34.0)	54.0
Defence Construction (1951) Limited	0.1	0.5	nil	0.8	nil
Enterprise Cape Breton Corporation	(16.8)	(8.8)	nil	nil	7.3
Export Development Corporation	(198.8)	134.3	252.0	nil	nil
Farm Credit Corporation	(2.7)	18.0	(112.0)	(705.0)	nil
Federal Business Development Bank	10.3	63.1	234.0	nil	33.4
Freshwater Fish Marketing Corporation	0.3	1.6	(6.4)	7.0	nil
Great Lakes Pilotage Authority, Ltd.	(0.3)	0.1	nil	nil	nil
Harbourfront Corporation	(5.2)	(4.7)	nil	nil	3.6
International Centre for Ocean Development	(9.6)	(9.6)	nil	nil	10.1
Laurentian Pilotage Authority	(1.8)	(1.6)	nil	nil	1.6
Marine Atlantic Inc.	(4.3)	(3.0)	0.7	nil	276.0
Mingan Associates, Ltd.	nil	nil	nil	nil	nil
National Capital Commission	6.3	10.8	nil	nil	94.1
Old Port of Montreal Corporation Inc.[1]	(4.4)	(2.7)	nil	nil	6.0
Pacific Pilotage Authority	(0.5)	(0.3)	negl.	nil	nil
Petro-Canada International Assistance Corporation[1,2]	negl.	negl.	negl.	nil	49.3
St. Lawrence Seaway Authority, The	(2.8)	9.6	nil	nil	26.9
Jacques Cartier and Champlain Bridges Incorporated, The[3]	(14.9)	(13.7)	1.4	nil	13.8
Seaway International Bridge Corporation, Ltd., The[3]	0.4	0.5	0.1	0.2	nil

Standards Council of Canada	0.2	0.4	nil	nil	7.6
VIA Rail Canada Inc.	(293.8)	(162.8)	nil	nil	531.5
Total III-I corporations	(402.1)	381.2	354.6	(1,229.8)	3,271.6
III-II corporations:					
Canada Development Investment Corporation	(292.4)	1.8	(192.0)	34.0	nil
Canada Ports Corporation	0.8	6.6	nil	(12.8)	2.7
Canada Post Corporation[6]	148.8	164.1	nil	nil	nil
Canadian National Railway Company	205.8	485.8	(184.0)	(12.0)	17.0
Halifax Port Corporation	4.6	6.8	nil	(0.3)	nil
Montreal Port Corporation	5.2	16.4	nil	(0.4)	nil
Petro-Canada	31.0	569.0	(62.0)	nil	nil
Canertech Inc.[3]	1.3	1.3	0.4	nil	nil
Port of Quebec Corporation	1.7	3.8	nil	nil	nil
Prince Rupert Port Corporation	4.4	5.1	nil	6.3	nil
Royal Canadian Mint	7.8	10.5	nil	(68.0)	nil
Saint John Port Corporation	0.2	3.0	nil	nil	nil
St. John's Port Corporation	0.4	1.2	nil	(0.2)	2.1
Teleglobe Canada	0.1	0.1	nil	nil	nil
Vancouver Port Corporation	28.4	36.4	nil	(0.2)	nil
Total III-II corporations	148.1	1,311.9	(437.6)	(53.6)	21.8
Total Schedule III corporations	(254.0)	1,693.1	(83.0)	(1,283.4)	3,293.4
Exempt (Unscheduled) Corporations					
Canada Council	2.0	2.5	nil	nil	103.5
Canadian Broadcasting Corporation	(103.6)	(38.8)	(2.0)	nil	981.4
Canadian Film Development Corporation	(155.0)	(148.5)	nil	nil	145.6
Canadian Institute for International Peace and Security	negl.	(0.1)	nil	nil	5.0
Canadian Wheat Board, The	nil	nil	629.0	nil	19.0
International Development Research Centre	(9.9)	(8.5)	nil	nil	108.5
National Arts Centre Corporation	(16.3)	(15.2)	(0.6)	nil	17.4
Total, exempt corporations	(282.8)	(208.6)	626.4	nil	1,380.4
Grand Total, parent Crown corporations (except Bank of Canada)	(536.8)	1,484.5	543.4	(1,283.4)	4,673.8

See Notes following these tables.

negl.= negligible

TABLE 3

COMPARISON OF FINANCIAL POSITION OF PARENT CROWN CORPORATIONS WITH TOTAL RECORDED GOVERNMENT INVESTMENT
as at March 31, 1990 ($ millions)*

	Financial Position				Total Recorded Government Investment		
		Liabilities					
FAA Schedule	Total Assets	Private Sector Borrowings and Other	Government	Total Liabilities	Loans and Advances	Investment	Total
III-I corporations:							
Atlantic Pilotage Authority	2.0	1.1	0.1	1.2	nil	nil	nil
Atomic Energy of Canada Limited	951.7	152.1	588.9	741.0	480.9	164.2	645.1
Canada Deposit Insurance Corporation	519.9	0.5	1,407.2	1,407.7	1,375.0	nil	1,375.0
Canada Harbour Place Corporation	67.4	0.4	nil	0.4	nil	nil	nil
Canada Lands Company Limited	nil	nil	nil	nil	nil	nil	nil
Canada Lands Company (Vieux-Port de Québec) Inc.[3]	0.5	nil	0.3	0.3	nil	nil	nil
Canada Lands Company (Mirabel) Ltd.[1]	1.0	0.3	0.7	1.0	nil	nil	nil
Canada Mortgage and Housing Corporation	8,926.8	56.8	8,820.0	8,876.8	8,678.3	25.0	8,703.3
Canada Museums Construction Corporation	202.9	15.4	0.3	15.7	nil	nil	nil
Canadian Commercial Corporation	829.8	788.3	1.5	789.8	nil	nil	nil
Canadian Dairy Commission	146.2	97.9	48.3	146.2	47.8	nil	47.8
Canadian Livestock Feed Board	1.9	2.7	nil	2.7	nil	nil	nil
Canadian National (West Indies) Steamships, Ltd.	1.5	negl.	0.3	0.3	0.3	negl.	0.3
Canadian Patents and Development Limited	1.5	0.9	nil	0.9	nil	nil	nil
Canadian Saltfish Corporation	16.3	6.8	44.2	51.0	44.0	nil	44.0
Cape Breton Development Corporation	475.3	25.2	21.0	46.2	7.0	nil	7.0
Defence Construction (1951) Limited	2.3	4.1	1.0	5.1	nil	nil	nil
Enterprise Cape Breton Corporation	25.7	3.2	negl.	3.2	nil	nil	nil
Export Development Corporation	6,960.6	6,173.4	5.7	6,179.1	nil	772.0	772.0
Farm Credit Corporation	3,816.7	1,275.1	2,615.4	3,890.5	2,549.5	818.3	3,367.8
Federal Business Development Bank	2,822.2	2,456.2	0.6	2,456.8	nil	294.0	294.0
Freshwater Fish Marketing Corporation	31.6	8.6	23.0	31.6	22.2	nil	22.2
Great Lakes Pilotage Authority, Ltd.	1.9	3.4	nil	3.4	nil	nil	nil
Harbourfront Corporation	31.0	5.8	nil	5.8	nil	nil	nil
International Centre for Ocean Development	1.8	1.0	0.2	1.2	nil	nil	nil
Laurentian Pilotage Authority	3.7	5.3	nil	5.3	nil	nil	nil
Marine Atlantic Inc.	465.3	460.7	4.0	464.7	nil	nil	nil
Mingan Associates, Ltd.	0.4	nil	nil	nil	nil	nil	nil
National Capital Commission	343.7	38.7	3.8	42.5	nil	nil	nil

Old Port of Montreal Corporation Inc.[1]	2.8	1.3	1.5	2.8	nil	nil	nil
Pacific Pilotage Authority	4.7	2.7	nil	2.7	nil	nil	nil
Petro-Canada International Assistance Corporation[1,2]	nil	nil	nil	nil	nil	nil	nil
St. Lawrence Seaway Authority, The	600.3	26.6	0.1	26.7	nil	nil	nil
Jacques Cartier and Champlain Bridges Incorporated, The[3]	24.3	4.7	0.1	4.8	nil	nil	nil
Seaway International Bridge Corporation, Ltd., The[3]	0.5	0.5	nil	0.5	nil	nil	nil
Standards Council of Canada	2.2	1.3	0.1	1.4	nil	nil	nil
VIA Rail Canada Inc.	908.0	266.5	27.3	293.8	nil	9.3	9.3
Total III-I corporations	28,198.9	11,887.5	13,615.6	25,503.1	13,205.0	2,082.8	15,287.8
III-II corporations:							
Canada Development Investment Corporation	550.2	581.9	141.8	723.7	nil	395.7	395.7
Canada Ports Corporation	118.2	2.7	2.4	5.1	15.1	nil	15.1
Canada Post Corporation	2,507.8	841.6	176.1	1,017.7	80.0	nil	80.0
Canadian National Railway Company	7,137.1	3,267.9	322.8	3,590.7	161.1	2,278.9	2,440.0
Halifax Port Corporation	69.0	2.8	3.5	6.3	3.5	nil	3.5
Montreal Port Corporation	229.8	11.6	8.8	20.4	6.6	nil	6.6
Petro-Canada	7,276.0	3,724.6	769.7	4,494.3	nil	4,299.1	4,299.1
Canertech Inc.[3]	16.3	0.8	29.6	30.4	nil	nil	nil
Port of Quebec Corporation	71.3	3.6	0.2	3.8	nil	nil	nil
Prince Rupert Port Corporation	112.9	4.8	65.6	70.4	17.3	nil	17.3
Royal Canadian Mint	94.0	18.7	17.1	35.8	40.0	13.6	53.6
Saint John Port Corporation	92.4	21.6	20.7	42.3	20.1	nil	20.1
St. John's Port Corporation	16.7	0.6	3.2	3.8	3.1	nil	3.1
Teleglobe Canada	0.3	nil	negl.	negl.	nil	nil	nil
Vancouver Port Corporation	302.1	12.2	3.8	16.0	3.7	nil	3.7
Total III-II corporations	18,594.1	8,495.4	1,565.3	10,060.7	350.5	6,987.3	7,337.8
Total Schedule III corporations	46,793.0	20,382.9	15,180.9	35,563.8	13,555.5	9,070.1	22,625.6

TABLE 3

COMPARISON OF FINANCIAL POSITION OF PARENT CROWN CORPORATIONS WITH TOTAL RECORDED GOVERNMENT INVESTMENT as at March 31, 1990 ($ millions)* —*Concluded*

	Financial Position				Total Recorded Government Investment		
		Liabilities					
FAA Schedule	Total Assets	Private Sector Borrowings and Other	Govern- ment	Total Liabilities	Loans and Advances	Investment	Total
Exempt (Unscheduled) Corporations							
Canada Council	135.8	30.3	0.4	30.7	nil	nil	nil
Canadian Broadcasting Corporation	941.0	294.5	45.8	340.3	33.0	nil	33.0
Canadian Film Development Corporation	47.8	33.0	nil	33.0	nil	nil	nil
Canadian Institute for International Peace and Security	2.1	0.4	nil	0.4	nil	nil	nil
Canadian Wheat Board, The	5,360.9	5,328.2	32.6	5,360.8	nil	nil	nil
International Development Research Centre	22.1	17.1	1.0	18.1	nil	nil	nil
National Arts Centre Corporation	7.8	5.9	0.6	6.5	nil	nil	nil
Total, exempt corporations	6,517.5	5,709.4	80.4	5,789.8	33.0	nil	33.0
Grand Total, parent Crown corporations except Bank of Canada)	53,310.5	26,092.3	15,261.3	41,353.6	13,588.5	9,070.1	22,658.6
Aggregate reserve in Canada's accounts							(4,500.0)
Total Recorded Government Investment							18,158.6

See Notes following these tables.

negl.= negligible

* Data for this table have been extracted from Sections 5 and 6 of Volume I of the Public Accounts 1989-90.

Notes to Tables 1, 2 and 3

Tables 1, 2 and 3

1. Petro-Canada International Assistance Corporation and two subsidiaries of Canada Lands Company Limited (Canada Lands Company (Mirabel) Ltd. and Old Port of Montreal Corporation Inc.) are shown amongst III-I corporations since, though not scheduled, they had been directed, pursuant to section 86(2) of the FAA, to report their affairs as if they were (III-I) parent Crown corporations.

2. Petro-Canada International Assistance Corporation is consolidated with Petro-Canada. Its financial status is immaterial.

3. Four wholly-owned subsidiaries have been added to the tables because their financial status is not consolidated with their parent Crown corporations: Canada Lands (Vieux-Port de Québec) Inc., Canertech Inc., The Jacques Cartier and Champlain Bridges Corporation Ltd., and The Seaway International Bridge Corporation, Ltd.

Table 1

4. The shareholder's equity for Canada Deposit Insurance Corporation takes account of the position of its Deposit Insurance Fund.

5. Employment data in last year's Annual Report was reported at March 31, 1989. This year, employment data is at the financial year-end of the Crown corporations and employment in them totals 135,789. The comparable figure for 1989 is 142,053 employees.

Table 2

6. Budgetary funding to Canada Post Corporation excludes cultural and special mail subsidies of $240 million from the Department of Communications. Last year, the subsidy was $250 million.

2. SUMMARY PAGES FOR EACH PARENT CROWN CORPORATION

A Summary Page is provided for each Parent Crown corporation and for the three subsidiaries that report their affairs as if they were parent Crown corporations.

Each Summary Page presents basic information about a corporation's mandate, origins and present status and names the senior officers. As well, a financial summary provides information such as obligations (which comprise long-term and short-term loan borrowings plus capital leases) and details of the funding provided to the corporation and its subsidiaries by Canada. The non-budgetary amounts displayed in the financial summary include equity infusions as well as loan funding.

SUMMARY PAGE

ATLANTIC PILOTAGE AUTHORITY

MANDATE

To establish, operate, maintain and administer in the interest of safety, an efficient pilotage service within designated waters in and around the Atlantic provinces.

BACKGROUND

Established in 1972, the Authority provides pilotage services and has the power to make regulations, subject to the approval of the Governer in Council, which establish compulsory pilotage areas; prescribe the ships/classes of ships that are subject to compulsory pilotage, the circumstances under which compulsory pilotage may be waived and pilotage tariffs; and which cover the licensing of pilots and issuance of pilotage certificates. Tariffs must be fair and reasonable and sufficient to permit the Authority to operate on a self-sustaining financial basis.

CORPORATION DATA

HEAD OFFICE	Suite 1203 Bank of Montreal Tower 5151 George Street Halifax, Nova Scotia B3J 1M5
STATUS	Schedule III, Part I Not an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Doug Lewis, P.C., M.P.
DEPARTMENT	Transport
YEAR AND MEANS OF INCORPORATION	1972; pursuant to the *Pilotage Act* (R.S.C. 1985, c. P-14).
CHAIRMAN AND CHIEF EXECUTIVE OFFICER	C.R. (Ted) Worthington
AUDITOR	Auditor General of Canada

FINANCIAL SUMMARY ($ million) Financial year ending December 31.

	1989	1988	1987	1986
At the end of the year				
Total Assets	2.3	1.9	2.0	1.4
Obligations to the private sector	nil	nil	0.2	0.1
Obligations to Canada	0.1	0.2	0.3	0.4
Shareholder's Equity	1.0	0.5	negl.	(0.3)
Cash from Canada for the year				
Budgetary	0.5	0.4	0.5	0.4
Non-budgetary	nil	nil	nil	nil
Dividends	nil	nil	nil	nil

negl. = negligible

SUMMARY PAGE

ATOMIC ENERGY OF CANADA LIMITED

MANDATE

To develop the utilization of atomic energy for peaceful purposes. The mandate of the corporation is prescribed by s. 10 of the *Atomic Energy Control Act* as that section read before its repeal and by its charter and articles of incorporation.

BACKGROUND

Founded in 1952, AECL develops Candu power generating technology. It operates research and development laboratories at Chalk River, Ontario and at Pinawa, Manitoba. Three provincial utilities receive federal financing for nuclear facilities through AECL and make repayments to it which are passed on to Canada. The corporation was responsible for Candu reactors built in Argentina and in Korea and is providing services related to Candu reactors under construction in Romania. Its design and engineering teams contribute to the continued improvement and development of nuclear power stations and nuclear technology in general. In 1988, the Radiochemical and Medical Products components of AECL were incorporated as wholly owned subsidiaries (Nordion International Inc. and Theratronics International Limited) and transferred to Canada Development Investment Corporation for sale to the private sector. Enabling legislation concerning the sale of both corporations was enacted on January 30, 1990.

CORPORATION DATA

HEAD OFFICE	344 Slater Street Ottawa, Ontario K1A 0S4
STATUS	Schedule III, Part I An agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Jake Epp, P.C., M.P.
DEPARTMENT	Energy, Mines and Resources
YEAR AND MEANS OF INCORPORATION	February 14, 1952 under Part I of *Canada Corporations Act*; continued July 8, 1977 under the *Canada Business Corporations Act*; certificate amended July 15, 1982.
CHIEF EXECUTIVE OFFICER	Dr. Stanley R. Hatcher
CHAIRMAN	Robert Ferchat
AUDITOR	Auditor General of Canada

FINANCIAL SUMMARY ($ million) Financial year ending March 31.

	1989-90	1988-89	1987-88	1986-87
At the end of the year				
Total Assets	952	994	1,036	1,018
Obligations to the private sector	19	21	22	23
Obligations to Canada	544	574	601	626
Shareholder's Equity	211	216	207	196
Cash from Canada for the year				
Budgetary	206	203	175	218
Non-budgetary	nil	nil	nil	nil
Dividends	nil	16.4	nil	nil

SUMMARY PAGE

BANK OF CANADA

MANDATE

The Bank of Canada is responsible for the formulation and implementation of monetary policy in Canada and acts as the government's fiscal agent. The Bank has the sole right to issue currency intended for circulation in Canada and it fixes the percentage of the deposit liabilities of chartered banks which they must maintain as secondary reserves. It conducts open-market operations, buying or selling securities as, in its judgement, the progress of Canada's economy requires. As fiscal agent, it handles the issue of securities of Canada and payment of related interest and principal; it also cashes and negotiates cheques drawn on the Receiver General. It administers the Exchange Fund Account and acts as agent for the government's operations in the foreign exchange market.

BACKGROUND

The Bank was created by its Act in 1934 as Canada's central bank.

CORPORATION DATA

HEAD OFFICE	234 Wellington Street Ottawa, Ontario K1A 0G9
STATUS	Acts as the fiscal agent of the Government of Canada; is exempt from the provisions of Divisions I to IV of Part X of the *Financial Administration Act*.
APPROPRIATE MINISTER	The Honourable Michael Wilson, P.C., M.P.
DEPARTMENT	Finance
YEAR AND MEANS OF INCORPORATION	1934, by the *Bank of Canada Act* (R.S.C. 1985, c. B-2).
CHIEF EXECUTIVE OFFICER	John Crow
AUDITOR	Coopers & Lybrand and Peat Marwick

FINANCIAL SUMMARY ($ million) Financial year ending December 31.

	1989	**1988**	**1987**	**1986**
Expenses, before depreciation	172	159	151	143

Note: This Financial Summary is cursory compared with that for any other corporation in this Report. This is appropriate because the nature of the operations of a central bank makes its financial statements unique in their import. For example: the Bank's assets are mostly securities of Canada and its revenues are mostly the interest paid to it by Canada on those securities. Therefore, the substantial net income (1988, $1,938 million; 1989, $2,239 milllion) which the Bank pays to Canada is essentially the completion of a circular flow of cash, diminished by the amount of the Bank's operating expenses.

SUMMARY PAGE

CANADA COUNCIL

MANDATE

To foster and promote the study, enjoyment and production of works in the arts and to coordinate UNESCO activities in Canada and Canadian participation in various UNESCO activities abroad, apart from political questions and assistance to developing countries.

BACKGROUND

The Council receives a parliamentary appropriation each year for its operations. As well, it has income from the $50 million Endowment Fund which was created by its Act and from monies and properties donated to the Council and administered as Special Funds. It is a charitable organization for the purposes of the *Income Tax Act*.

CORPORATION DATA

HEAD OFFICE	99 Metcalfe Street Ottawa, Ontario K1P 5V8
STATUS	Exempt from Divisions I to IV of Part X of the *Financial Administration Act*. Not an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Marcel Masse, P.C., M.P.
DEPARTMENT	Communications
YEAR AND MEANS OF INCORPORATION	1957, by the *Canada Council Act* (R.S.C. 1985, c. C-2).
CHIEF EXECUTIVE OFFICER	Joyce Zemans
CHAIRMAN	Alan Gotlieb
AUDITOR	Auditor General of Canada

FINANCIAL SUMMARY ($ million) Financial year ending March 31.

	1989-90	1988-89	1987-88	1986-87
At the end of the year				
Assets — Endowment Account	135.8	130.7	128.7	121.2
— Special Funds	46.1	41.2	40.1	38.8
Cash from Canada for the year				
Budgetary	103.5	93.3	96.9	85.5
Non-budgetary	nil	nil	nil	nil
Other revenues	11.2	10.5	9.4	9.6
Outlays on grants, services and art	94.9	93.5	82.7	84.3
Dividends	nil	nil	nil	nil

SUMMARY PAGE

CANADA DEPOSIT INSURANCE CORPORATION

MANDATE

To provide limited insurance in respect of deposits with federal institutions (banks, trust and loan companies) and approved provincial institutions (trust and loan companies). To be instrumental in the promotion of standards of sound business and financial practices for member institutions and to promote and otherwise contribute to the stability and competitiveness of the financial system in Canada.

BACKGROUND

The corporation was established by the *Canada Deposit Insurance Corporation Act* in 1967. Member institutions pay annual premiums to the Deposit Insurance Fund to meet depositors' claims. Recent payments to depositors of insolvent financial institutions have caused this fund to have a net deficit position. Premium rates were increased in 1985 and annual premium revenue of the Fund is now approximately $245 million.

CORPORATION DATA

HEAD OFFICE	320 Queen Street P.O. Box 2340, Station D Ottawa, Ontario K1P 5W5
STATUS	Schedule III, Part I An agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Gilles Loiselle, P.C., M.P. President of Treasury Board of Canada Minister of State for Finance.
DEPARTMENT	Finance
YEAR AND MEANS OF INCORPORATION	1967; by the *Canada Deposit Insurance Corporation Act* (R.S.C. 1985, c. C-3).
CHIEF EXECUTIVE OFFICER	Jean Pierre Sabourin
CHAIRMAN	Ronald McKinlay
AUDITOR	Auditor General of Canada

FINANCIAL SUMMARY ($ million) Financial year ending December 31.

	1989	**1988**	**1987 (restated)**	**1986**
At the end of the year				
Total Assets	591	732	735	1,001
Obligations to the private sector	nil	nil	581	1,277
Obligations to Canada	1,439	1,747	1,258	965
Shareholder's Equity*	(851)	(1,017)	(1,108)	(1,245)
Cash from Canada for the year				
Budgetary	nil	nil	nil	nil
Non-budgetary	(320)	489	293	9
Dividends	nil	nil	nil	nil

* Represents deficiency in the Insurance Fund.

SUMMARY PAGE

CANADA DEVELOPMENT INVESTMENT CORPORATION

MANDATE

To effectively manage Crown corporations and investments which are assigned to it and to effect the privatization of these, where appropriate.

BACKGROUND

CDIC manages its wholly-owned subsidiaries, Canada Eldor Inc. (successor to Eldorado Nuclear Limited) which now holds a 38.5 percent interest in CAMECO, Cartierville Financial Corporation, Nordion International Inc., Theratronics International Limited and a portfolio holding of Varity Corporation. During 1989, pursuant to a directive from the Governor-in-Council, CDIC acquired 51% ownership of Ginn and Company and GLC Publishers Limited from Gulf & Western Inc. Ginn and Company and GLC Publishers Limited were subsequently amalgamated and renamed Ginn Publishing Canada Inc. CDIC also manages, on behalf of Canada, Teleglobe Canada and the government's holdings in National Sea Products Limited.

Legislation authorizing the privatization of Nordion International Inc. and Theratronics International Limited received Royal Assent on January 30, 1990.

CORPORATION DATA

HEAD OFFICE	Suite 2703 Scotia Plaza P.O. Box 320 Toronto, Ontario M5H 3Y2
STATUS	Schedule III, Part II An agent of Her Majesty
APPROPRIATE MINISTER	The Honourable John McDermid, P.C., M.P. Minister of State (Privatization and Regulatory Affairs).
YEAR AND MEANS OF INCORPORATION	1982; by Canada Development Corporation under the *Canada Business Corporations Act*. Letters patent, May 26, 1982.
CHIEF EXECUTIVE OFFICER	Ward C. Pitfield
CHAIRMAN	W. Darcy McKeough
AUDITOR	Peat Marwick Thorne and the Auditor General of Canada.

FINANCIAL SUMMARY ($ million) Financial year ending December 31.

	1989*	1988*	1987	1986
At the end of the year				
Total Assets	657	1,094	285	336
Obligations to the private sector	539	731	nil	nil
Obligations to Canada	152	118	1	1
Shareholder's Equity (Deficiency)	(152)	139	226	287
Cash from Canada to subsidiaries for the year				
Budgetary	nil	nil	nil	nil
Non-budgetary	nil	nil	nil	nil
Dividends	nil	3.03	56.5	111.0

* The financial statements of Eldorado Nuclear Limited were consolidated in those of the corporation from October 1, 1988. (Subsequent to that year end, Eldorado's name was changed to Canada Eldor Inc.)

SUMMARY PAGE

CANADA HARBOUR PLACE CORPORATION

MANDATE

To administer properties at Canada Place in Vancouver, originally constructed as the Canadian pavilion at Expo 86.

BACKGROUND

The Corporation was incorporated in 1982 to design, construct and manage Canada Place, a facility built by the federal government as its contribution to Expo 86. The facility includes a cruise ship terminal, a hotel, an office complex, a convention centre (formerly the location of the Canadian pavilion at Expo 86) leased to the Province of British Columbia, a parking lot, and various commercial and public use areas. The government announced in the February 1990 Budget that the Corporation would be wound up and its assets transferred to another federal entity.

CORPORATION DATA

HEAD OFFICE	Suite 690 999 Canada Place Vancouver, British Columbia V6C 3C1
STATUS	Schedule III, Part I An agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Doug Lewis, P.C., M.P.
DEPARTMENT	Transport
YEAR AND MEANS OF INCORPORATION	1982; by letters patent (no. 132316) under the *Canada Business Corporations Act.*
CHAIRMAN AND CHIEF EXECUTIVE OFFICER	Thomas G. Rust
AUDITOR	Auditor General of Canada

FINANCIAL SUMMARY ($ million) Financial year ending March 31.

	1989-90	1988-89	1987-88	1986-87
At the end of the year				
Total Assets	67.3	69.3	71.0	86.0
Obligations to the private sector	nil	nil	nil	nil
Obligations to Canada	nil	nil	nil	nil
Shareholder's Equity	66.9	68.9	70.6	80.3
Cash from Canada for the year				
Budgetary	nil	nil	2.0	13.6
Non-budgetary	nil	nil	nil	nil
Dividends	nil	nil	nil	nil

SUMMARY PAGE

CANADA LANDS COMPANY LIMITED

MANDATE

The Canada Lands Company Limited has the mandate to hold certain leases for two properties in London, England and two properties on Indian reserves in Canada. It is also the sole shareholder in three subsidiary corporations.

BACKGROUND

Formerly the Public Works Land Company Limited, the corporation has not been involved in any financial transactions. It has three subsidiaries, Canada Lands Company (Mirabel) Limited, Old Port of Montreal Corporation Inc. and Canada Lands Company (Vieux-Port de Québec) Inc.

CORPORATION DATA

HEAD OFFICE	Sir Charles Tupper Building Confederation Heights Riverside Drive Ottawa, Ontario K1A 0M2
STATUS	Schedule III, Part I An agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Elmer Mackay, P.C., M.P.
DEPARTMENT	Public Works
YEAR AND MEANS OF INCORPORATION	1956; by letters patent; reorganized under the *Canada Business Corporations Act,* September 19, 1977. Certificate of Continuance under the *Canada Business Corporations Act* July 7, 1981.
CHIEF EXECUTIVE OFFICER	Robert Giroux
AUDITOR	Auditor General of Canada

FINANCIAL INFORMATION

The corporation's financial year ends March 31. No value is assigned in its accounts to any of its assets; the accounts of its subsidiaries are reported separately and are not consolidated with those of this corporation since it is not likely to benefit from any increase in the equity of the subsidiaries.

SUMMARY PAGE

CANADA LANDS COMPANY(MIRABEL) LIMITED

MANDATE

To administer, pending disposition, and sell on behalf of the Crown, properties peripheral to the Mirabel airport. The authority now in place for this mandate extends to March 31, 1991.

BACKGROUND

Since July 1982, the corporation has managed the lands which the Crown had acquired for the international airport at Mirabel but which were not required for the functioning of the airport. A program for the sale of all those properties has been developed and is being implemented by the corporation.

CORPORATION DATA

HEAD OFFICE	9850 Belle Rivière P.O. Box 180 Mirabel, Quebec J0N 1S0
STATUS	A wholly-owned subsidiary of Canada Lands Company Limited. It has been directed by Order in Council (PC 1987-86) to report its affairs as if it is a parent Crown corporation. An agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Elmer MacKay, P.C., M.P.
DEPARTMENT	Public Works
YEAR AND MEANS OF INCORPORATION	1981; by Canada Lands Company Limited, under the *Canada Business Corporations Act.*
CHAIRMAN AND CHIEF EXECUTIVE OFFICER	Jocelyne Ouellette
AUDITOR	Auditor General of Canada

FINANCIAL SUMMARY ($ million) Financial year ending March 31.

	1989-90	1988-89	1987-88	1986-87
At the end of the year				
Total Assets	1.0	1.2	2.7	5.4
Obligations to the private sector	nil	nil	nil	nil
Obligations to Canada	nil	nil	nil	nil
Shareholder's Equity	nil	nil	nil	nil
Cash from Canada for the year				
Budgetary	1.0	4.7	5.0	6.8
Non-budgetary	nil	nil	nil	nil
Dividends	nil	nil	nil	nil

SUMMARY PAGE

CANADA MORTGAGE AND HOUSING CORPORATION

MANDATE

To promote the construction of new houses, the repair and modernization of existing houses and the improvement of housing and living conditions.

BACKGROUND

Established in 1946, the corporation acts as the government's agent in the provision of grants, contributions and subsidies for the advancement of housing and community development. It conducts research and provides policy advice to government; administers the Mortgage Insurance Fund, the prime purpose of which is to ensure an adequate supply of mortgage funds for housing, lends to groups and individuals for housing purposes and invests in housing-related projects.

CORPORATION DATA

HEAD OFFICE	682 Montreal Road Ottawa, Ontario K1A 0P7
STATUS	Schedule III, Part I An agent of Her Majesty except when s. 14 of its Act applies.
APPROPRIATE MINISTER	The Honourable Alan Redway, P.C., M.P. Minister of State (Housing)
DEPARTMENT	Public Works
YEAR AND MEANS OF INCORPORATION	1946; by the *Central Mortgage and Housing Corporation Act* (R.S.C. 1985, c. C-7).
CHIEF EXECUTIVE OFFICER	Eugene A. Flichel
CHAIRMAN	Robert E. Jarvis, Q.C.
AUDITOR	Deloitte & Touche and the Auditor General of Canada

FINANCIAL SUMMARY ($ million) Financial year ending December 31.

	1989	1988	1987 (restated)	1986
At the end of the year				
Total Assets	9,213	9,306	9,540	9,805
Obligations to the private sector	nil	nil	nil	nil
Obligations to Canada	8,819	9,008	9,271	9,514
Shareholder's Equity	50	50	50	50
Cash from Canada for the year				
Budgetary	1,593	1,529	1,473	1,355
Non-budgetary, before repayments	280	269	270	222
Transfer of Net Income*	30.5	50.2	35.0	24.6

* Transfer of net income (after income taxes) to the Receiver General for Canada.

SUMMARY PAGE

CANADA MUSEUMS CONSTRUCTION CORPORATION INC.

MANDATE

To construct in the National Capital Region new buildings for the National Gallery of Canada, the Canadian Museum of Civilization, and any other museum that the Governor in Council may direct.

BACKGROUND

Construction of the new museum buildings is completed and the corporation plans to cease active operations by March 31, 1991. The Order in Council authorizing CMCC's establishment (P.C. 1981-1838) states that, unless otherwise directed by the Governor in Council, the corporation is to be wound up after completion of the construction projects. Bill C-73, tabled May 31, 1990, provides for a change in CMCC's status from parent Crown corporation to subsidiary of Canada Lands Company Limited. The corporation will be dissolved once outstanding liabilities and claims are resolved.

CORPORATION DATA

HEAD OFFICE	55 Murray Street P.O. Box 395, Station A Ottawa, Ontario K1N 5M3
STATUS	Schedule III, Part I An agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Elmer MacKay, P.C., M.P.
DEPARTMENT	Public Works
YEAR AND MEANS OF INCORPORATION	1982; by letters patent (No. 0132114) under the *Canada Business Corporations Act.*
CHAIRMAN AND CHIEF EXECUTIVE OFFICER	Robert Giroux
AUDITOR	Auditor General of Canada

FINANCIAL SUMMARY ($ million) Financial year ending March 31.

	1989-90	1988-89	1987-88	1986-87
At the end of the year				
Total Assets	202.9*	177.1*	249.9	173.2
Obligations to the private sector	nil	nil	nil	nil
Obligations to Canada	nil	nil	nil	nil
Shareholder's Equity	187.2	155.5	226.1	157.4
Cash from Canada for the year				
Budgetary	33.2	68.0	68.8	66.0
Non-budgetary	nil	nil	nil	nil
Dividends	nil	nil	nil	nil

* Assets etc. values reflect the transfer of the National Gallery to Department of Public Works.

SUMMARY PAGE

CANADA PORTS CORPORATION

MANDATE

To plan and coordinate the development of the 15 ports and harbours to achieve the objectives of the national ports policy and to support Canadian international trade objectives. The corporation is directly responsible for the administration, management and control of eight of the fifteen ports and harbours which have not been granted local port corporation status.

BACKGROUND

The corporation was established in 1983 with responsibility for the 15 ports and harbours across Canada that previously fell under the jurisdiction of the National Harbours Board. Subsequently, local port corporations were established at Montreal and Vancouver (in July 1983), at Halifax, Quebec and Prince Rupert (in June 1984), at St. John's (in June 1985), and at Saint John (in December 1986). These corporations are now operating with a high degree of local autonomy.

CORPORATION DATA

HEAD OFFICE	99 Metcalfe Street Ottawa, Ontario K1A 0N6
STATUS	Schedule III, Part II An agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Doug Lewis, P.C., M.P.
DEPARTMENT	Transport
YEAR AND MEANS OF INCORPORATION	1983; pursuant to the *National Harbours Board Act* (R.S.C. 1970, N-8, s. 3); reconstituted by the *Canada Ports Corporation Act* (R.S.C. 1985, c. C-9).
CHIEF EXECUTIVE OFFICER	Jean Michel Tessier
CHAIRMAN	The Honourable Ronald Huntington, P.C.
AUDITOR	Coopers & Lybrand

FINANCIAL SUMMARY* ($ million) Financial year ending December 31.

	1989	**1988**	**1987**	**1986 (restated)**
At the end of the year				
Total Assets	118.9	102.9	95.4	100.4[1]
Obligations to the private sector	nil	nil	nil	nil
Obligations to Canada	1.3	14.1[2]	1.5 [3]	19.5
Shareholder's Equity	112.1[4]	82.9	88.7	67.5
Cash from Canada for the year				
Budgetary	2.7	2.8	2.1	13.0
Non-budgetary	nil	nil	nil	nil
Dividends	0.07	0.1	1.00	26.69

[1] Assets and related liabilities of this corporation have been transferred to new local port corporations.

[2] Includes $12.7 in dividends to Canada declared and unpaid, plus interest.

[3] In 1987, $17.8 million loan principal owed to Canada was forgiven. That amount and related interest forgiven was added to the corporation's contributed capital.

[4] Equity for 1989 includes $28.6 million for the Interport Loan Fund. The comparable equity figure without the Interport Loan Fund amount is $83.6 million.

SUMMARY PAGE

CANADA POST CORPORATION

MANDATE

To operate a postal service on a self-sustaining financial basis while providing a standard of service that will meet the needs of Canadians.

BACKGROUND

The *Canada Post Corporation Act* requires the corporation to fulfill its mandate while improving and extending its products and services, having regard to the need to conduct its operations on a self-sustaining financial basis. The corporation is also called upon to manage its human resources "in a manner that will both attain the objects of the corporation and ensure the commitment and dedication of its employees." Canada pays subsidies to the corporation in support of the publishing industry, for Northern parcel mails, parliamentary free mail, and blind persons' free mail. The corporation does not now receive operating subsidies from Canada.

CORPORATION DATA

HEAD OFFICE	Sir Alexander Campbell Building Confederation Heights Ottawa, Ontario K1A 0B1
STATUS	Schedule III, Part II (since June 1, 1989) An agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Harvie Andre, P.C., M.P.
DEPARTMENT	Industry, Science and Technology
YEAR AND MEANS OF INCORPORATION	1981; by the *Canada Post Corporation Act* (R.S.C. 1985, c. C-10), proclaimed October 16, 1981.
CHIEF EXECUTIVE OFFICER	Donald H. Lander
CHAIRMAN	Sylvain Cloutier
AUDITOR	Deloitte Haskins & Sells Associates and the Auditor General of Canada

FINANCIAL SUMMARY ($ million) Financial year ending March 31.

	1989-90	**1988-89**	**1987-88**	**1986-87**
At the end of the year				
Total Assets	2,508	2,734	2,574	2,629
Obligations to the private sector	nil	nil	nil	nil
Obligations to Canada	80	80	nil	nil
Shareholder's Equity	1,490	1,643	1,612	1,598
Cash from Canada for the year				
Budgetary*	nil	nil	191	232
Non-budgetary	nil	80	nil	nil
Dividends	nil**	nil	nil	nil

* Budgetary amounts do not include payments for cultural and special mails.
** Payment of $60 million declared and made June 1990.

SUMMARY PAGE

CANADIAN BROADCASTING CORPORATION

MANDATE

To develop and provide a national broadcasting service for all Canadians in both official languages, in television and radio, and an international service, all of which should be predominantly Canadian in content and character.

BACKGROUND

Established in 1936 by the *Broadcasting Act*; major amendments were made to this Act in 1958 and 1968. Today, about 28 percent of the corporation's revenues is from advertising.

CORPORATION DATA

HEAD OFFICE	1500 Bronson Avenue P.O. Box 8478 Ottawa, Ontario K1G 3J5
STATUS	Exempt from Divisions I to IV of Part X of the *Financial* Administration Act; subject to Part VIII of this Act as it read immediately before the 1984 repeal thereof. An agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Marcel Masse, P.C., M.P.
DEPARTMENT	Communications
YEAR AND MEANS OF INCORPORATION	1936, by the *Broadcasting Act* (R.S.C. 1985, c. B-9).
CHAIRMAN (Designate)	Patrick Watson
PRESIDENT AND CHIEF EXECUTIVE OFFICER	Gerard Veilleux
AUDITOR	Auditor General of Canada

FINANCIAL SUMMARY ($ million) Financial year ending March 31.

	1989-90	**1988-89**	**1987-88**	**1986-87 (restated)**
At the end of the year				
Total Assets	941	869	799	755
Obligations to the private sector	2	4	6	1
Obligations to Canada	33	33	33	33
Shareholder's Equity	601	552	508	461
Cash from Canada for the year				
Budgetary	981	915	888	855
Non-budgetary	nil	nil	nil	nil
Dividends	nil	nil	nil	nil

SUMMARY PAGE

CANADIAN COMMERCIAL CORPORATION

MANDATE

To assist in the development of trade between Canada and other nations.

BACKGROUND

Established in 1946, the corporation serves as prime contractor when other countries wish to purchase goods and services from Canada on a government-to-government basis. As well, it assists in sales to international agencies.

CORPORATION DATA

HEAD OFFICE	Metropolitan Centre 11th Floor 50 O'Connor Street Ottawa, Ontario K1A 0S6
STATUS	Schedule III, Part I An agent of Her Majesty
APPROPRIATE MINISTER	The Honourable John Crosbie, P.C., Q.C., M.P., Minister for International Trade
DEPARTMENT	External Affairs and International Trade Canada
YEAR AND MEANS OF INCORPORATION	1946; by the *Canadian Commercial Corporation Act* (R.S.C. 1985, c. C-14).
CHAIRMAN AND CHIEF EXECUTIVE OFFICER	Hugh Mullington
AUDITOR	Auditor General of Canada

FINANCIAL SUMMARY ($ million) Financial year ending March 31.

	1989-90	1988-89	1987-88	1986-87
At the end of the year				
Total Assets	829.8	686.3	606.3	493.8
Obligations to the private sector	nil	nil	nil	nil
Obligations to Canada	nil	nil	nil	nil
Shareholder's Equity	40.1	33.8	29.4	31.4
Cash from Canada for the year				
Budgetary	17.1	15.3	11.8	16.1
Non-budgetary	nil	nil	nil	nil
Dividends	0.9*	nil	nil	nil

* Subsequent to March 31, 1990, the Board of Directors approved another dividend of $1.4 million to Canada for the year ending 1991.

SUMMARY PAGE

CANADIAN DAIRY COMMISSION

MANDATE

To provide efficient producers of milk and cream with an opportunity of obtaining a fair return for their labour and investment and to provide consumers of dairy products with a continuous and adequate supply of dairy products of high quality.

BACKGROUND

Established in 1966, the corporation administers the following elements of the federal dairy program: calculation of Target Price for milk and cream for industry; market support for the Target Price through a nationwide offer to purchase butter and skim milk powder; direct support payments on eligible milk and cream shipments; international marketing of dairy products not required for domestic consumption; receipt of levies collected by provinces from farmers to finance the cost of exporting products surplus to domestic requirements; and coordination of national supply management of industrial milk production.

CORPORATION DATA

HEAD OFFICE	Pebb Building 2197 Riverside Drive Ottawa, Ontario K1A 0Z2
STATUS	Schedule III, Part I An agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Don Mazankowski, P.C., M.P. Deputy Prime Minister
DEPARTMENT	Agriculture
YEAR AND MEANS OF INCORPORATION	1966; by the *Canadian Dairy Commission Act* (R.S.C. 1985, c. C-15).
CHAIRMAN AND CHIEF EXECUTIVE OFFICER	Roch Morin
AUDITOR	Auditor General of Canada

FINANCIAL SUMMARY ($ million) Financial year ending July 31.

	1988-89	**1987-88**	**1986-87**	**1985-86**
At the end of the year				
Total Assets	242.7	222.8	212.2	259.8
Obligations to the private sector	69.0	82.2	77.9	89.9
Obligations to Canada	114.3	87.4	85.2	126.3
Shareholder's Equity	nil	nil	nil	nil
Cash from Canada for the year				
Budgetary*	287.5	290.2	287.0	292.2
Non-budgetary, net	26.9	2.2	(41.1)	(108.0)
Dividends	nil	nil	nil	nil

* Includes payments via the Agricultural Stabilization Board.

SUMMARY PAGE

CANADIAN FILM DEVELOPMENT CORPORATION

MANDATE

To foster and promote the development of a feature film industry in Canada. To administer the Canadian Broadcast Program Development Fund and the Feature Film Fund for private sector development of television and feature film productions meeting specific standards of Canadian content.

BACKGROUND

The scale of the corporation's activities has increased since 1981 with the inception of new government programs in support of the domestic television and feature film productions industry.

CORPORATION DATA

HEAD OFFICE	National Bank Tower 600 de la Gauchetière Street, West Montreal, Quebec H3B 4L2
STATUS	Exempt from Divisions I to IV of Part X of the *Financial Administration Act*; subject to Part VIII of this Act as it read immediately before the (1984) repeal thereof. An agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Marcel Masse, P.C., M.P.
DEPARTMENT	Communications
YEAR AND MEANS OF INCORPORATION	1967; by the *Canadian Film Development Corporation Act*, (R.S.C. 1985, c. C-16).
CHIEF EXECUTIVE OFFICER	Pierre DesRoches
ACTING CHAIRMAN	Harvey A. Corn
AUDITOR	Auditor General of Canada

FINANCIAL SUMMARY ($ million) Financial year ending March 31.

	1989-90	**1988-89**	**1987-88**	**1986-87 (restated)**
At the end of the year				
Total Assets	47.8	35.0	27.3	27.0
Obligations to the private sector	nil	nil	nil	nil
Obligations to Canada	nil	nil	nil*	6.3
Shareholder's Equity	14.8	24.2	19.9	19.8
Cash from Canada for the year				
Budgetary	145.6	128.9	115.6	86.0
Non-budgetary	nil	nil	nil	nil
Dividends	nil	nil	nil	nil

* In 1987-88, pursuant to authorization, Canada forgave $6.3 million loan principal.

SUMMARY PAGE

CANADIAN INSTITUTE FOR INTERNATIONAL PEACE AND SECURITY

MANDATE

To increase knowledge and understanding of the issues relating to international peace and security from a Canadian perspective, with particular emphasis on arms control, disarmament, defence and conflict resolution.

BACKGROUND

CIIPS fulfills its mandate by fostering, funding and conducting research; promoting scholarship; studying and proposing ideas and policies; and collecting and disseminating information on, and encouraging public discussion of, issues of international peace and security.

CORPORATION DATA

HEAD OFFICE	360 Albert Street Suite 900 Ottawa, Ontario K1R 7X7
STATUS	Exempt from Divisions I to IV of Part X of the *Financial Administration Act*. Not an agent of Her Majesty
APPROPRIATE MINISTER	The Right Honourable Joe Clark, P.C., M.P.
DEPARTMENT	External Affairs and International Trade
YEAR AND MEANS OF INCORPORATION	1984; by the *Canadian Institute for International Peace and Security Act*, (R.S.C. 1985, c. C-18); amended (R.S.C. 1985, 1st Supp. c. 46).
CHIEF EXECUTIVE OFFICER	Bernard Wood
CHAIRMAN	David Braide
AUDITOR	Auditor General of Canada

FINANCIAL SUMMARY ($ million) Financial year ending March 31.

	1989-90	1988-89	1987-88	1986-87
At the end of the year				
Total Assets	2.1	2.2	1.8	1.6
Obligations to the private sector	nil	nil	nil	nil
Obligations to Canada	nil	nil	nil	nil
Shareholder's Equity	1.7	1.7	1.6	1.4
Cash from Canada for the year				
Budgetary	5.0	5.0	4.0	3.0
Non-budgetary	nil	nil	nil	nil
Dividends	nil	nil	nil	nil

SUMMARY PAGE

CANADIAN LIVESTOCK FEED BOARD

MANDATE

To ensure: availability of adequate feed grain to meet the needs of livestock feeders; availability of adequate storage for feed grain in eastern Canada; reasonable stability in prices for feed grain in eastern Canada, British Columbia and the Yukon and Northwest Territories; and fair equalization of feed grain prices in those regions.

BACKGROUND

Established in 1967, the Board executes its mandate by subsidizing the transportation costs of feed grains; by assessing requirements for feed grains and storage space and by collecting and disseminating related information; and by negotiating and coordinating with respect to storage, handling, transportation and cost of feed grains. Its programs are financed by budgetary payments from Canada. The February 20, 1990 budget announced that the Board would be dissolved as a Crown Corporation and its functions transferred to Agriculture Canada. A Bill to authorize its dissolution (Bill C-73) is now before Parliament.

CORPORATION DATA

HEAD OFFICE	Suite 400 5180 Queen Mary Road P.O. Box 177, Snowdon Station Montreal, Quebec H3X 3T4
STATUS	Schedule III, Part I An agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Charles Mayer, P.C., M.P. Minister of Western Economic Diversification and Minister of State (Grains and Oilseeds).
DEPARTMENT	Agriculture
YEAR AND MEANS OF INCORPORATION	1967; pursuant to the *Livestock Feed Assistance Act*, (R.S.C. 1985, c. L-10).
CHAIRMAN AND CHIEF EXECUTIVE OFFICER	Guy René de Cotret
AUDITOR	Auditor General of Canada

FINANCIAL SUMMARY ($ million) Financial year ending March 31.

	1989-90	**1988-89**	**1987-88**	**1986-87**
At the end of the year				
Total Assets	1.9	2.4	2.1	2.4
Obligations to the private sector	nil	nil	nil	nil
Obligations to Canada	nil	nil	nil	nil
Shareholder's Equity (Deficiency)	(0.9)	0.1	0.2	0.3
Cash from Canada for the year				
Budgetary	18.1	18.9	18.5	17.0
Non-budgetary	nil	nil	nil	nil
Dividends	nil	nil	nil	nil

SUMMARY PAGE

CANADIAN NATIONAL RAILWAY COMPANY

MANDATE

To operate a national railway system and other transportation and related services.

BACKGROUND

The corporation was created out of more than 200 companies, many of them insolvent. The corporation's role was to mold a number of railway companies into one strong and commercially-competitive system, serving the entire nation. It was recapitalized in 1937, in 1952 and again in 1978. In 1988, the corporation sold its hotel, telephone and telecommunication subsidiaries and applied the proceeds to reduce its corporate debt.

CORPORATION DATA

HEAD OFFICE	935 de la Gauchetière Street West Montreal, Quebec H3B 2M9
STATUS	Schedule III, Part II Not an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Doug Lewis, P.C., M.P.
DEPARTMENT	Transport
YEAR AND MEANS OF INCORPORATION	1919; by the *Canadian National Railway Act* which was superseded by the 1955 Act of the same name (R.S.C. 1985, c. C-19).
CHIEF EXECUTIVE OFFICER	Ronald E. Lawless
CHAIRMAN	Brian R.D. Smith, Q.C.
AUDITOR	Touche Ross & Co.

FINANCIAL SUMMARY ($ million) Financial year ending December 31.

	1989	1988	1987	1986
At the end of the year				
Total Assets	7,105	6,906	7,594	7,843
Obligations to the private sector	1,709	1,893	2,901	3,380
Obligations to Canada	161	173	185	209
Shareholder's Equity	3,540	3,375	3,101	3,005*
Cash from Canada for the year				
Budgetary**	17	29	21	20
Non-budgetary	nil	nil	nil	nil
Dividends	41.2	56.5	nil	nil

* $328 million of capital stock cancelled as CN Marine Inc. was transferred to the Crown.

** Excludes payments of a kind made to a general class of recipients and excludes cash for CN Marine Inc.

SUMMARY PAGE

CANADIAN NATIONAL (WEST INDIES) STEAMSHIPS, LTD.

MANDATE

To collect monies due to it from the sale of eight steamships to Cuban interests.

BACKGROUND

The corporation, which provided a steamship service to the West Indies, has been inactive since 1958 when its fleet of ships was sold to Banco Cubana of Havana. In 1959, the corporate management was transferred to federal government officials for the purpose of collecting the proceeds from the sale. An irrevocable letter of credit issued through the Bank of America to cover the final principal payment was not honoured because of the imposition of the Cuban Assets Control Regulations by the U.S. government on July 3, 1963. The sole purpose of maintaining the company has been to collect the outstanding principal plus interest, totalling $1.4 million as of December 31, 1989. Authority to dissolve the corporation was given in the *Crown Corporations Dissolution Authorization Act*, which received Royal Assent on October 29, 1985.

CORPORATION DATA

HEAD OFFICE	Tower C Place de Ville 330 Sparks Street Ottawa, Ontario K1A 0N5
STATUS	Schedule III, Part I An agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Doug Lewis, P.C., M.P.
DEPARTMENT	Transport
YEAR AND MEANS OF INCORPORATION	1927; created by CNR in 1927 under the *Dominion Companies Act* and continued under the *Canada Business Corporations Act*, November 21, 1978.
CHAIRMAN AND CHIEF EXECUTIVE OFFICER	Vince Malizia
AUDITOR	Auditor General of Canada

FINANCIAL SUMMARY ($ million) Financial year ending December 31.

	1989	1988	1987	1986
At the end of the year				
Total Assets	1.5	1.3	1.2	1.1
Obligations to the private sector	nil	nil	nil	nil
Obligations to Canada	0.3	0.3	0.3	0.3
Shareholder's Equity	1.2	1.0	0.9	0.8
Cash from Canada for the year				
Budgetary	nil	nil	nil	nil
Non-budgetary	nil	nil	nil	nil
Dividends	nil	nil	nil	nil

SUMMARY PAGE

CANADIAN PATENTS AND DEVELOPMENT LIMITED

MANDATE

To maximize benefits to Canada by promotion and use of innovations produced on behalf of the Crown by publicly funded institutions and agencies and by others.

BACKGROUND

The corporation makes available to the public the industrial and intellectual property resulting from government-funded research and development. It makes licensing arrangements with industry and monies received thereby are used to cover most of its operating expenses. Awards are paid to inventors under the *Public Service Inventions Act*. As announced in the February 1990 Budget, CPDL is to be wound up in fiscal year 1990/91. The dissolution bill, Bill C-73, was tabled in the House of Commons on May 31, 1990.

CORPORATION DATA

HEAD OFFICE	275 Slater Street Ottawa, Ontario K1A 0R3
STATUS	Schedule III, Part I An agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Benoît Bouchard, P.C., M.P.
DEPARTMENT	Industry, Science and Technology
YEAR AND MEANS OF INCORPORATION	1947; by letters patent under the *Companies Act*; continued under the *Canada Business Corporation Act* in 1979.
CHIEF EXECUTIVE OFFICER	Normand Plante
CHAIRMAN	Jacques A. Léger
AUDITOR	Auditor General of Canada

FINANCIAL SUMMARY ($ million) Financial year ending March 31.

	1989-90	**1988-89**	**1987-88**	**1986-87**
At the end of the year				
Total Assets	1.5	1.5	0.8	1.1
Obligations to the private sector	nil	nil	nil	nil
Obligations to Canada	nil	nil	nil	nil
Shareholder's Equity	0.7	0.5	0.3	negl.
Cash from Canada for the year				
Budgetary	0.8	1.2	1.1	0.5
Non-budgetary	nil	nil	nil	nil
Dividends	nil	nil	nil	nil

negl. = negligible

SUMMARY PAGE

CANADIAN SALTFISH CORPORATION

MANDATE

To regulate interprovincial and export trade in saltfish from participating provinces (Quebec - Lower North Shore, and Newfoundland) to improve earnings of primary producers of cured cod fish.

BACKGROUND

By its enabling legislation, the corporation must buy all saltfish offered to it which is of reasonable quality, and must conduct its operations on a self-sustaining basis without appropriations.

CORPORATION DATA

HEAD OFFICE	Saltfish Building Newfoundland Drive P.O. Box 9440 St. John's, Newfoundland A1A 2Y3
STATUS	Schedule III, Part I An agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Bernard Valcourt, P.C., M.P.
DEPARTMENT	Fisheries and Oceans
YEAR AND MEANS OF INCORPORATION	1970; by the *Saltfish Act* (R.S.C. 1985, c. S-4).
CHIEF EXECUTIVE OFFICER (ACTING)	Greg Viscount
CHAIRMAN	James G. Barnes
AUDITOR	Auditor General of Canada

FINANCIAL SUMMARY ($ million) Financial year ending March 31.

	1989-90	1988-89	1987-88	1986-87
At the end of the year				
Total Assets	16.3	28.5	27.6	24.4
Obligations to the private sector	nil	nil	nil	nil
Obligations to Canada	43.0	41.0	28.9	24.0
Shareholder's Equity (Deficiency)	(34.7)	(15.3)	(5.4)	(4.2)
Cash from Canada for the year				
Budgetary	nil	nil	nil	nil
Non-budgetary	2.0	12.2	4.9	6.6
Dividends	nil	nil	nil	nil

SUMMARY PAGE

CANADIAN WHEAT BOARD, THE

MANDATE

The Board's mandate is to market wheat and barley grown in western Canada in the best interests of western Canada's grain producers. It administers the *Prairie Grain Advance Payments Act*.

BACKGROUND

The Board was established in 1935 by Act of Parliament and is now responsible for all exports of wheat and barley grown in the prairie provinces and some parts of British Columbia. It is also responsible for sales of these grains for human consumption in Canada. The Board may sell domestic feed grains, but in general these sales are handled by producers themselves or by private trade. The Board issues a government-guaranteed initial payment when the producer delivers grain. Receipts are pooled, and a final payment net of marketing costs is made after the full year's returns have been calculated. Deficits are rare but if they occur they are, by statute, a charge upon the Consolidated Revenue Fund of Canada. The Board negotiates directly with customers, or through Accredited Exporters. The Board's longstanding mandate to market oats was ended by Orders in Council (PC 1989-986 and PC 1989-987) of May 27, 1989.

CORPORATION DATA

HEAD OFFICE	423 Main Street P.O. Box 816 Winnipeg, Manitoba R3C 2P5
STATUS	Exempt from the provisions of Divisions I to IV of Part X of the *Financial Administration Act*. An agent of Her Majesty.
APPROPRIATE MINISTER	The Honourable Charles J. Mayer, P.C., M.P. Minister of Western Economic Diversification and Minister of State for Grains and Oilseeds.
YEAR AND MEANS OF INCORPORATION	1935; by *The Canadian Wheat Board Act* (R.S.C. 1985, c. C-24).
CHIEF EXECUTIVE OFFICER	W. Esmond Jarvis
AUDITOR	Deloitte Haskins & Sells

FINANCIAL SUMMARY ($ million) Financial year ending July 31.

	1988-89	1987-88	1986-87	1985-86
At the end of the year				
Total Assets	4,939	4,103	4,836	5,234
Obligations to the private sector	4,292	3,663	4,684	5,060
Obligations to Canada	nil	nil	nil	nil
Shareholder's Equity	nil	nil	nil	nil
Cash from Canada for the year				
Budgetary	19	150	245	58
Non-budgetary	nil	nil	nil	nil
Dividends	nil	nil	nil	nil

SUMMARY PAGE

CAPE BRETON DEVELOPMENT CORPORATION

MANDATE

To operate, reorganize and rationalize coal production from the Sydney coal field.

BACKGROUND

The corporation was originally established in 1967 by the *Cape Breton Development Corporation Act* with a Coal Division and an Industrial Development Division. The Industrial Development Division (IDD) was created to develop alternative employment opportunities and broaden the base of the local Cape Breton economy. Pursuant to the *Atlantic Canada 1987 Legislation*, this division and its development activities were transferred to the Enterprise Cape Breton Corporation on December 1, 1988.

The remaining Coal Division now constitutes the Cape Breton Development Corporation (DEVCO), and is the major employer in the Sydney/Glace Bay area with approximately 3,000 employees. The corporation operates three collieries (Prince, Lingan, and Phalen) and fully integrated support facilities including a coal preparation plant, a complete railway transportation system, and a shipping pier. A resurgence in local coal demand for power generation has led to an expansion and modernization of DEVCO's assets in recent years.

CORPORATION DATA

HEAD OFFICE	P.O. Box 2500 Sydney, Nova Scotia B1P 6K9
STATUS	Schedule III, Part I An agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Benoît Bouchard, P.C., M.P.
DEPARTMENT	Industry, Science and Technology
YEAR AND MEANS OF INCORPORATION	1967; by the *Cape Breton Development Corporation Act,* (R.S.C. 1985, c. C-25).
CHIEF EXECUTIVE OFFICER	Ernest Boutilier
CHAIRMAN	John Terry
AUDITOR	Auditor General of Canada

FINANCIAL SUMMARY ($ million) Financial year ending March 31.

	1989-90	1988-89*	1987-88	1986-87
At the end of the year				
Total Assets	475	534	626	581
Obligations to the private sector	nil	nil	nil	nil
Obligations to Canada	7	41	22	7
Shareholder's Equity	429	449	548	511
Cash from Canada for the year				
Budgetary	54**	28	91	153
Non-budgetary	nil	19	15	4
Dividends	nil	nil	nil	nil

* Prior to 1988-89, financial data in this Summary consolidated the data of the two divisions (Coal, and IDD).
** $29.7 million of the $54 million pertains to 1988-89 operating loss.

SUMMARY PAGE

DEFENCE CONSTRUCTION (1951) LIMITED

MANDATE

To contract for and supervise major military construction and maintenance projects required by the Department of National Defence; to provide technical and administrative assistance concerning construction matters to government departments and agencies on a cost-recovery basis.

BACKGROUND

The corporation has been in operation since 1951.

CORPORATION DATA

HEAD OFFICE	Sir Charles Tupper Building Riverside Drive Ottawa, Ontario K1A 0K3
STATUS	Schedule III, Part I An agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Elmer MacKay, P.C., M.P.
DEPARTMENT	Public Works
YEAR AND MEANS OF INCORPORATION	1951; by the *Defence Production Act* (R.S.C. 1985, c. D-1); continued under the *Canada Business Corporations Act*, November 21, 1978.
CHAIRMAN AND CHIEF EXECUTIVE OFFICER	J.R. Lorne Atchison
AUDITOR	Auditor General of Canada

FINANCIAL SUMMARY ($ million) Financial year ending March 31.

	1989-90	1988-89	1987-88	1986-87
At the end of the year				
Total Assets	2.3	1.0	2.0	1.5
Obligations to the private sector	nil	nil	nil	nil
Obligations to Canada	1.0	0.2	1.0	0.3
Shareholder's Equity (Deficiency)	(2.9)	(2.8)	(2.9)	(2.9)
Cash from Canada for the year				
Budgetary	nil*	14.0	13.6	13.2
Non-budgetary	nil	nil	nil	nil
Dividends	nil	nil	nil	nil

* In 1989-90 the Corporation's method of funding changed from budgetary to a fee for service arrangement with the Department of National Defence and the 1989-90 fee amounted to $15.3 million.

SUMMARY PAGE

ENTERPRISE CAPE BRETON CORPORATION

MANDATE

To promote and assist the financing and development of industry on the Island of Cape Breton to provide employment outside the coal producing industry and to broaden the base of the economy of the Island.

BACKGROUND

The Industrial Development Division (IDD) of the Cape Breton Development Corporation has been continued as a separate Crown corporation, Enterprise Cape Breton Corporation which commenced operation on December 1, 1988. To ensure coordination of development policies within the region, this corporation reports to the Minister responsible for Atlantic Canada Opportunities Agency, and the Agency and the corporation have the same President. Upon assuming the activities, programs and properties of the IDD, revised programs were established to promote industrial development on Cape Breton Island and in the northeast part of the Nova Scotia mainland.

CORPORATION DATA

HEAD OFFICE	P.O. Box 1750 Sydney, Nova Scotia B1P 6T7
STATUS	Schedule III, Part I An agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Elmer MacKay, P.C., M.P. Minister for the purposes of the *Atlantic Canada Opportunities Agency Act*
DEPARTMENT	Public Works
YEAR AND MEANS OF INCORPORATION	1988; by The *Government Organization Act, Atlantic Canada, 1987.* (S.C. 1988, c.50)
CHAIRMAN AND CHIEF EXECUTIVE OFFICER	Peter Lesaux
AUDITOR	Auditor General of Canada

FINANCIAL SUMMARY ($ million) Financial year ending March 31.

	1989-90	1988-89*
At the end of the year		
Total Assets	25.7	33.4
Obligations to the private sector	nil	nil
Obligations to Canada	nil	nil
Shareholder's Equity	22.5	32.0
Cash from Canada for the year		
Budgetary	7.3	3.4
Non-budgetary	nil	nil
Dividends	nil	nil

* The corporation's assets etc. at commencement of its operations are essentially those assumed when the business of the Industrial Development Division was transferred to it.

SUMMARY PAGE

EXPORT DEVELOPMENT CORPORATION

MANDATE

Export Development Corporation (EDC) is Canada's official export credit agency, responsible for facilitating and developing export trade by the provision of credit insurance, loans, guarantees, and other financial facilities to promote Canadian export trade.

BACKGROUND

In addition to its corporate activities, EDC administers for Canada certain export insurance and financing in support of export transactions considered to be in the national interest.

CORPORATION DATA

HEAD OFFICE	151 O'Connor Street P.O. Box 655 Ottawa, Ontario K1P 5T9
STATUS	Schedule III, Part I An agent of Her Majesty
APPROPRIATE MINISTER	The Honourable John Crosbie, P.C., Q.C., M.P., Minister for International Trade.
DEPARTMENT	External Affairs and International Trade Canada
YEAR AND MEANS OF INCORPORATION	1969; by the *Export Development Act*, (R.S.C. 1985, c. E-20).
CHIEF EXECUTIVE OFFICER	R.L. Richardson
CHAIRMAN	V.E. Daughney
AUDITOR	Auditor General of Canada

FINANCIAL SUMMARY ($ million) Financial year ending December 31.

CORPORATE ACCOUNT	**1989**	**1988**	**1987**	**1986**
At the end of the year				
Total Assets	6,567	6,522	6,933	7,173
Obligations to the private sector	5,473	5,221	5,624	5,901
Obligations to Canada	nil	nil	25	80
Shareholder's Equity	705	904	899	898
Cash from Canada for the year				
Budgetary	nil	nil	nil	nil
Non-budgetary	nil	nil	nil	nil
Dividends	nil	nil	nil	nil
CANADA ACCOUNT				
At the end of the year				
Canada assets administered	1,027	926	871	880

SUMMARY PAGE

FARM CREDIT CORPORATION

MANDATE

To assist Canadian farmers to establish and develop viable farm enterprises through the provision of long-term credit and other financial services.

BACKGROUND

Since 1959, under the authority of the *Farm Credit Act*, the corporation has made mortgage loans to farmers for the purchase of farm land, livestock and machinery, for permanent farm improvements and to refinance debt. Under the authority of the *Farm Syndicates Credit Act*, the corporation may make loans to groups of farmers for the joint acquisition of agricultural facilities and equipment. The maximum loan for an individual farm is $600,000 and for a syndicate is $100,000. As at March 31, 1990 the corporation had 63,884 loans outstanding. The corporation maintains six regional offices and about 100 district and field offices. The corporation's loan payments (receivables) in arrears declined in total in 1989-90 for the second consecutive year, following eleven successive years of increases in these arrears.

CORPORATION DATA

HEAD OFFICE	P.O. Box 2314, Station D 434 Queen Street Ottawa, Ontario K1P 6J9
STATUS	Schedule III, Part I An agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Don Mazankowski, P.C., M.P. Deputy Prime Minister and Minister of Agriculture
DEPARTMENT	Agriculture
YEAR AND MEANS OF INCORPORATION	1959; by the *Farm Credit Act* (R.S.C. 1985, c. F-2). Its predecessor was the Canadian Farm Loan Board, founded in 1929.
CHAIRMAN AND CHIEF EXECUTIVE OFFICER	James J. Hewitt
AUDITOR	Auditor General of Canada

FINANCIAL SUMMARY ($ million) Financial year ending March 31.

	1989-90	1988-89	1987-88	1986-87
At the end of the year				
Total Assets	3,817	4,032	4,307	5,015
Obligations to the private sector	1,216	1,328	1,328	1,600
Obligations to Canada	2,549	3,254	3,486	3,305
Shareholder's Equity (Deficiency)	(74)	(671)	(637)	(125)
Cash from Canada for the year				
Budgetary	nil	nil*	15*	5
Non-budgetary, net of loans repaid	(104)	(229)	179	(591)
Dividends	nil	nil	nil	nil

* In addition to the direct payments from Canada, the corporation received cash from the Department of Agriculture in compensation for financial concessions to clients.

SUMMARY PAGE

FEDERAL BUSINESS DEVELOPMENT BANK

MANDATE

To promote and assist in the establishment and development of business enterprises in Canada by providing financial assistance, management counselling, management training, information and advice, giving particular attention to the needs of small business enterprises.

BACKGROUND

Since 1974, the Bank has provided financial assistance to Canadian firms by acting as a supplementary lender and a source of equity financing. It also provides financial planning, counselling and training, information and other management services to small and medium-sized business.

CORPORATION DATA

HEAD OFFICE	800 Victoria Square Box 335 Stock Exchange Tower Station Montreal, Quebec H4Z 1L4
STATUS	Schedule III, Part I An agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Benoît Bouchard, P.C., M.P.
DEPARTMENT	Industry, Science and Technology
YEAR AND MEANS OF INCORPORATION	1974; by the *Federal Business Development Bank Act* (R.S.C. 1985, c. F-6); (successor to the Industrial Development Bank, established 1944).
CHIEF EXECUTIVE OFFICER	Guy A. Lavigueur
CHAIRMAN	William J. McAleer, Q.C.
AUDITOR	Price Waterhouse

FINANCIAL SUMMARY ($ million) Financial year ending March 31.

	1989-90	1988-89 (restated)	1987-88	1986-87
At the end of the year				
Total Assets	2,822	2,541	2,297	1,920
Obligations to the private sector	2,299	2,065	1,916	1,563
Obligations to Canada	nil	nil	nil	51
Shareholder's Equity	365	345	299	242
Cash from Canada for the year				
Budgetary	33	63	77	55
Non-budgetary	nil	nil	nil	nil
Dividends	nil	nil	nil	nil

SUMMARY PAGE

FRESHWATER FISH MARKETING CORPORATION

MANDATE

The objectives of the corporation are to market fish in an orderly manner, to increase returns to fishers; and to promote international markets for, and increase inter-provincial and export trade in, fish.

BACKGROUND

The Corporation was created to improve the economic situation of the commercial fishery in Western Canada. The corporation's Act requires it to purchase and market all of the legally caught freshwater fish from the region it serves and to operate on a self-sustaining basis. Its products are sold in direct competition with producers from the Great Lakes area as well as competing against other fish and seafood in an open marketplace. For the year ended April 30, 1990 total sales were $49.3 million (1989 — $55.0 million) and the total available for fishers was $27.0 million (1989 — $37.1 million).

CORPORATION DATA

HEAD OFFICE	1199 Plessis Road Winnipeg, Manitoba R2C 3L4
STATUS	Schedule III, Part I An agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Bernard Valcourt, P.C., M.P.
DEPARTMENT	Fisheries and Oceans
YEAR AND MEANS OF INCORPORATION	1969; by the *Freshwater Fish Marketing Act* (R.S.C. 1985, c. F-13).
CHAIRMAN	Maurice Blanchard
CHIEF EXECUTIVE OFFICER	Tom Dunn
AUDITOR	Auditor General of Canada

FINANCIAL SUMMARY ($ million) Financial year ending April 30.

	1989-90	**1988-89**	**1987-88**	**1986-87**
At the end of the year				
Total Assets	30.0	28.6	23.6	18.9
Obligations to the private sector*	1.7	8.1	16.3	13.8
Obligations to Canada	21.0	14.0	2.0	0.9
Shareholder's Equity	3.3	3.0	nil	nil
Cash from Canada for the year				
Budgetary	nil	nil	nil	nil
Non-budgetary	7.0	12.0	1.1	(13.8)
Dividends	nil	nil	nil	nil

* Obligations to private sector includes provision for final payments to fishermen.

SUMMARY PAGE

GREAT LAKES PILOTAGE AUTHORITY, LTD.

MANDATE

To establish, operate, maintain and administer in the interest of safety, an efficient pilotage service in designated Canadian waters in the Great Lakes area and in and around Ontario, and in designated waters in Manitoba, and in the St. Lawrence River, south of the St. Lambert Lock in Quebec.

BACKGROUND

Established in 1972, the Authority provides pilotage services and has the power to make regulations, subject to the approval of the Governor in Council, which establish compulsory pilotage areas; prescribe the ships/classes of ships that are subject to compulsory pilotage, the circumstances under which compulsory pilotage may be waived and pilotage tariffs; and which cover the licensing of pilots and issuance of pilotage certificates. Tariffs must be fair and reasonable and sufficient to permit the Authority to operate on a self-sustaining financial basis.

CORPORATION DATA

HEAD OFFICE	132 Second Street East P.O. Box 95 Cornwall, Ontario K6H 5R9
STATUS	Schedule III, Part I Not an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Doug Lewis, P.C., M.P.
DEPARTMENT	Transport
YEAR AND MEANS OF INCORPORATION	1972; pursuant to the *Pilotage Act* (R.S.C. 1985, c. P-14), incorporated under the *Canada Corporations Act* in May 1972 as a subsidiary of The St. Lawrence Seaway Authority.
CHAIRMAN AND CHIEF EXECUTIVE OFFICER	Richard G. Armstrong
AUDITOR	Auditor General of Canada

FINANCIAL SUMMARY ($ million) Financial year ending December 31.

	1989	1988	1987	1986
At the end of the year				
Total Assets	4.3	4.5	4.6	5.2
Obligations to the private sector	nil	nil	nil	nil
Obligations to Canada	nil	nil	nil	nil
Shareholder's Equity (Deficiency)	(1.2)	(0.9)	(2.0)	(1.0)
Cash from Canada for the year				
Budgetary	nil	1.0	nil	3.4
Non-budgetary	nil	nil	nil	nil
Dividends	nil	nil	nil	nil

SUMMARY PAGE

HALIFAX PORT CORPORATION

MANDATE

Administration, management and control of the Halifax harbour and all works and property within the harbour previously under the jurisdiction of the Canada Ports Corporation or, prior to February 24, 1983, the National Harbours Board.

BACKGROUND

The Halifax Port Corporation was established on June 1, 1984, pursuant to the national ports policy to create local port corporations at the major ports and harbours previously under the centralized administration of the National Harbours Board and, since February 1983, the Canada Ports Corporation. In 1989, the corporation paid to the federal government a dividend of $579,000 on its $4.6 million net income.

CORPORATION DATA

HEAD OFFICE	P.O. Box 336 Ocean Terminal Halifax, Nova Scotia B3J 2P6
STATUS	Schedule III, Part II An agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Doug Lewis, P.C., M.P.
DEPARTMENT	Transport
YEAR AND MEANS OF INCORPORATION	1984; letters patent of incorporation issued by the Minister of Transport pursuant to subsection 25 (1) of the *Canada Ports Corporation Act*.
CHIEF EXECUTIVE OFFICER	David F. Bellefontaine
CHAIRMAN	Donald A. Parker
AUDITOR	Doane Raymond

FINANCIAL SUMMARY ($ million) Financial year ending December 31.

	1989	**1988**	**1987**	**1986**
At the end of the year				
Total Assets	69.4	65.0	62.0	60.6
Obligations to the private sector	nil	nil	nil	nil
Obligations to Canada	3.5	3.8	4.1	30.0
Shareholder's Equity	62.4	58.4	55.2	23.2
Cash from Canada for the year				
Budgetary	nil	nil	nil	nil
Non-budgetary	nil	nil	nil	4.1
Dividends	0.58	0.16	0.32	1.92

SUMMARY PAGE

HARBOURFRONT CORPORATION

MANDATE

To develop, manage and operate the waterfront in accordance with the development framework, and to initiate, conduct or sponsor cultural, recreational, scientific and educational programs which, in the corporation's opinion, are of advantage to the public.

BACKGROUND

The Harbourfront site in Toronto was delineated by the federal government in 1972 through the assembly of lands it owned plus other lands it expropriated. With the efforts of all levels of government and an interim board, a long-term development plan was established and the mandate for Harbourfront Corporation was put in place in 1978. Since 1976, active Harbourfront programs of cultural, recreational and educational activities have made the site an attractive, busy public place. In addition to its spending on facilities for public use, the corporation has furthered private sector development on the site by leasing some land and selling air rights and with its cash flow from related development Harbourfront aims for financial self-sufficiency in its operation. Bill C-73, tabled May 31, 1990 seeks authority to dissolve Harbourfront Corporation, and permit the corporation to evolve into a non-profit cultural entity.

CORPORATION DATA

HEAD OFFICE	Suite 500 410 Queen's Quay West Toronto, Ontario M5V 2Z3
STATUS	Schedule III, Part I Not an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Elmer MacKay, P.C., M.P.
DEPARTMENT	Public Works
YEAR AND MEANS OF INCORPORATION	1936; as Terminal Warehouses Ltd, under the Ontario *Companies Act*; July 14, 1978, as Harbourfront Corporation, under the *Business Corporations Act* of Ontario; continued under the *Canada Business Corporations Act,* December 21, 1984.
CHIEF EXECUTIVE OFFICER	Frank Mills
CHAIRMAN	Consiglio Di Nino
AUDITOR	KPMG Peat, Marwick and the Auditor General of Canada

FINANCIAL SUMMARY ($ million) Financial year ending March 31.

	1989-90	1988-89	1987-88 (restated)	1986-87
At the end of the year				
Total Assets	31.0	35.0	42.4	52.7
Obligations to the private sector	nil	nil	nil	nil
Obligations to Canada	nil	nil	nil	nil
Shareholder's Equity	25.2	30.9	38.7	49.6
Cash from Canada for the year				
Budgetary	3.6	nil	nil	1.0
Non-budgetary	nil	nil	nil	nil
Dividends	nil	nil	nil	nil

SUMMARY PAGE

INTERNATIONAL CENTRE FOR OCEAN DEVELOPMENT

MANDATE

To initiate, encourage and support cooperation between Canada and developing countries in the field of ocean resource development.

BACKGROUND

ICOD's programs are part of Canada's Official Development Assistance commitment. The Centre fosters and supports initiatives that help developing countries to improve their own management and use of ocean resources in a rational and sustainable manner. The focus is on island and coastal nations where ocean resources can have the maximum development impact.

CORPORATION DATA

HEAD OFFICE	5670 Spring Garden Road 9th Floor Halifax, Nova Scotia B3J 1H6
STATUS	Schedule III, Part I Not an agent of Her Majesty
APPROPRIATE MINISTER	The Right Honourable Monique Landry, P.C., M.P. Minister for External Relations and International Development
DEPARTMENT	External Affairs and International Trade
YEAR AND MEANS OF INCORPORATION	1985; *The International Centre For Ocean Development Act*, (R.S.C. 1985, 1st Suppl. c. 17).
CHIEF EXECUTIVE OFFICER	Gary C. Vernon
CHAIRMAN	Elisabeth Mann Borgese
AUDITOR	Auditor General of Canada

FINANCIAL SUMMARY ($ million) Financial year ending March 31.

	1989-90	1988-89	1987-88	1986-87
At the end of the year				
Total Assets	1.8	1.3	0.2	0.1
Obligations to the private sector	nil	nil	nil	nil
Obligations to Canada	nil	nil	nil	nil
Shareholder's Equity	0.6	negl.	negl.	negl.
Cash from Canada for the year				
Budgetary	10.1	8.0	6.4	4.0
Non-budgetary	nil	nil	nil	nil
Dividends	nil	nil	nil	nil

negl. = negligible

SUMMARY PAGE

INTERNATIONAL DEVELOPMENT RESEARCH CENTRE

MANDATE

To initiate, encourage, support and conduct research into the problems of the developing regions of the world and into the means for applying and adapting scientific, technical and other knowledge to the economic and social advancement of those regions.

BACKGROUND

IDRC was created to help resolve, through research carried out by Third World scientists, the problems of poverty in the developing countries. To this end, it has established the following main program areas: Agriculture, Food and Nutrition Sciences, Health Sciences, Information Sciences, Social Sciences, Communication, and Earth and Engineering Sciences.

CORPORATION DATA

HEAD OFFICE	250 Albert Street Ottawa, Ontario K1G 3H9
STATUS	Exempt from provisions of Divisions I to IV of Part X of the *Financial Administration Act* Not an agent of Her Majesty
APPROPRIATE MINISTER	The Right Honourable Joe Clark, P.C., M.P.
DEPARTMENT	External Affairs and International Trade Canada
YEAR AND MEANS OF INCORPORATION	1970; by *The International Development Research Centre Act*, (R.S.C. 1985, c. I-19).
CHIEF EXECUTIVE OFFICER	Ivan L. Head
CHAIRMAN	Janet M. Wardlaw
AUDITOR	Auditor General of Canada

FINANCIAL SUMMARY ($ million) Financial year ending March 31.

	1989-90	1988-89	1987-88	1986-87
At the end of the year				
Total Assets	22.1	34.3	24.3	14.3
Obligations to the private sector	nil	nil	nil	nil
Obligations to Canada	nil	nil	nil	nil
Shareholder's Equity	4.0	13.9	8.6	2.6
Cash from Canada for the year				
Budgetary	108.5	114.2	108.1	100.0
Non-budgetary	nil	nil	nil	nil
Dividends	nil	nil	nil	4.0*

* Cash recovery from Canada.

SUMMARY PAGE

LAURENTIAN PILOTAGE AUTHORITY

MANDATE

To establish, operate, maintain and administer in the interest of safety an efficient pilotage service in the St. Lawrence River between Les Escoumins and the north end of the St. Lambert Lock, in the Saguenay River and in the Chaleur Bay.

BACKGROUND

Established in 1972, the Authority provides pilotage services and has the power to make regulations, subject to the approval of the Governor in Council, which establish compulsory pilotage areas; prescribe the ships/classes of ships that are subject to compulsory pilotage, the circumstances under which compulsory pilotage may be waived and pilotage tariffs; and which cover the licensing of pilots and issuance of pilotage certificates. Tariffs must be fair and reasonable and sufficient to permit the Authority to operate on a self-sustaining financial basis.

CORPORATION DATA

HEAD OFFICE	Suite 1402 1080 Côte du Beaver Hall Montreal, Quebec H2Z 1S8
STATUS	Schedule III, Part I Not an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Doug Lewis, P.C., M.P.
DEPARTMENT	Transport
YEAR AND MEANS OF INCORPORATION	1972; pursuant to the *Pilotage Act* (R.S.C. 1985, c. P-14).
CHAIRMAN AND CHIEF EXECUTIVE OFFICER	Jacques Chouinard
AUDITOR	Auditor General of Canada

FINANCIAL SUMMARY ($ million) Financial year ending December 31.

	1989	1988	1987	1986
At the end of the year				
Total Assets	5.9	4.7	5.4	7.9
Obligations to the private sector	0.8	0.8	0.7	0.8
Obligations to Canada	nil	nil	nil	nil
Shareholder's Equity	(1.1)	(0.9)	(0.6)	0.8
Cash from Canada for the year				
Budgetary	1.6	1.5	0.3	2.5
Non-budgetary	nil	nil	nil	nil
Dividends	nil	nil	nil	nil

SUMMARY PAGE

MARINE ATLANTIC INC.

MANDATE

To acquire, establish, manage and operate a marine transportation service, a marine maintenance, repair and refit service, a marine construction business and any service or business related thereto.

BACKGROUND

The company provides marine ferry services to Atlantic Canada. As CN Marine Inc., it was a subsidiary of Canadian National Railway Company. Pursuant to the *Marine Atlantic Inc. Acquisition Authorization Act* (S.C. 1986, C. 36), which was proclaimed on June 27, 1986, the company's name was changed to Marine Atlantic Inc. and was added to Part I of Schedule III of the *Financial Administration Act*. At close of business on December 31, 1986, ownership was transferred to Her Majesty in right of Canada. In 1987 the corporation acquired the shares and operations of Coastal Transport Limited, which manages a ferry between New Brunswick ports and, as well, acquired the Newfoundland Dockyard Corporation, of St. John's. These subsidiaries operate autonomously. Customer revenues cover approximately one-third of Marine's operating expenditures.

CORPORATION DATA

HEAD OFFICE	100 Cameron Street Moncton, New Brunswick E1C 5Y6
STATUS	Schedule III, Part I Not an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Doug Lewis, P.C., M.P.
DEPARTMENT	Transport
YEAR AND MEANS OF INCORPORATION	1979; by the *Canada Business Corporations Act*. Status and ownership changed as of December 31, 1986 (S.C. 1986, C. 36).
CHIEF EXECUTIVE OFFICER	Terry W. Ivany
CHAIRMAN	Alan Scales
AUDITOR	Peat Marwick Thorne and the Auditor General of Canada

FINANCIAL SUMMARY ($ million) Financial year ending December 31.

	1989	1988	1987*	1986
At the end of the year				
Total Assets	484.0	354.0	335.0	339.0
Obligations to the private sector	4.4	3.7	nil	nil
Obligations to Canada	nil	nil	nil	nil
Shareholder's Equity (Deficiency)	(3.0)	1.0	(3.0)	(6.0)
Cash from Canada for the year				
Budgetary	276.0	138.0	127.0	126.0
Non-budgetary	nil	nil	nil	nil
Dividends	nil	nil	nil	nil

* Beginning in 1987, the financial data are from consolidated financial statements.

SUMMARY PAGE

MINGAN ASSOCIATES, LTD

MANDATE

To purchase land for eventual disposition.

BACKGROUND

Ownership of the corporation was purchased for Canada in 1983 to obtain the land and fishing rights it owns. Those assets have become Indian reserve property, and as a first step, they have been transferred to the Crown in right of Canada. The further steps towards reserve status are underway. Bill C-73 authorizing dissolution of the corporation is now before Parliament.

CORPORATION DATA

HEAD OFFICE	10 Wellington Street 18th Floor Les Terrasses de la Chaudière Hull, Quebec K1A 0H4
STATUS	Schedule III, Part I Not an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Tom Siddon, P.C., M.P.
DEPARTMENT	Indian Affairs and Northern Development
YEAR AND MEANS OF INCORPORATION	1983; by Order in Council P.C. 1983-4029; a corporation under Part 1A of the Quebec *Companies Act*.
CHAIRMAN AND CHIEF EXECUTIVE OFFICER	Vacant
FINANCIAL SUMMARY	This is not an operating company. Total assets have only nominal value.

SUMMARY PAGE

MONTREAL PORT CORPORATION

MANDATE

Administration, management and control of the Montreal harbour and all the works and property within the harbour previously under the jurisdiction of the Canada Ports Corporation or, prior to February 24, 1983, the National Harbours Board.

BACKGROUND

The Montreal Port Corporation was established on July 1, 1983, pursuant to the national ports policy to create local port corporations at the major ports and harbours previously under the centralized administration of the National Harbours Board and, since February 1983, the Canada Ports Corporation. In 1989, the Port of Montreal paid dividends to the federal government totalling $3.3 million.

CORPORATION DATA

HEAD OFFICE	Montreal Port Building Cité du Havre Wing No. 1 Montreal, Quebec H3C 3R5
STATUS	Schedule III, Part II An agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Doug Lewis, P.C., M.P.
DEPARTMENT	Transport
YEAR AND MEANS OF INCORPORATION	1983; letters patent of incorporation issued by the Minister of Transport pursuant to subsection 25(1) of the *Canada Ports Corporation Act.*
CHIEF EXECUTIVE OFFICER	Dominic J. Taddeo
CHAIRMAN	André Gingras
AUDITOR	Samson Bélair and Deloitte & Touche

FINANCIAL SUMMARY ($ million) Financial year ending December 31.

	1989	1988	1987	1986
At the end of the year				
Total Assets	230.9	233.3	227.4	212.2
Obligations to the private sector	nil	nil	nil	nil
Obligations to Canada	6.6	7.0	7.4	140.7
Shareholder's Equity	210.6	208.8	199.0	(47.6)
Cash from Canada for the year				
Budgetary	nil	nil	nil	nil
Non-budgetary	nil	nil	nil	nil
Dividends	3.30	4.27	4.14	54.98*

* Cash recovery from Canada.

SUMMARY PAGE

NATIONAL ARTS CENTRE CORPORATION

MANDATE

To promote the development of the performing arts.

BACKGROUND

In 1969, the corporation was given the lease of the National Arts Centre complex for twenty years without charge. The lease was renewed to May 31, 1990. The corporation's revenues meet about 55.1 per cent of its cash requirements; payments from Canada cover the remainder. The corporation is a charitable organization for the purposes of the *Income Tax Act*.

CORPORATION DATA

HEAD OFFICE	53 Elgin Street Ottawa, Ontario K1P 5W1
STATUS	Exempt from the provisions of Divisions I to IV of Part X of the *Financial Administration Act* Not an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Marcel Masse, P.C., M.P.
DEPARTMENT	Communications
YEAR AND MEANS OF INCORPORATION	1966; by the *National Arts Centre Act*, (R.S.C. 1985, c. N-3).
CHIEF EXECUTIVE OFFICER	Yvon DesRochers
CHAIRMAN	Robert E. Landry
AUDITOR	Auditor General of Canada

FINANCIAL SUMMARY ($ million) Financial year ending August 31.

	1988-89	1987-88	1986-87	1985-86
At the end of the year				
Total Assets	7.6	10.2	7.4	6.7
Obligations to the private sector*	3.6	4.2	2.7	2.4
Obligations to Canada	nil	nil	nil	nil
Shareholder's Equity	0.3	1.1	1.6	1.1
Cash from Canada for the year				
Budgetary	17.4	18.7	14.9	16.9
Non-budgetary	nil	nil	nil	nil
Dividends	nil	nil	nil	nil

* These are advance ticket sales.

SUMMARY PAGE

NATIONAL CAPITAL COMMISSION

MANDATE

To prepare plans for and assist in the development, conservation and improvement of the National Capital Region; to organize, sponsor and promote public activities in the Region. In 1987-88, the Commission became responsible for the management and maintenance of the Official Residences located in the National Capital Region.

BACKGROUND

Canada has owned this corporation since 1899 with the creation of the Ottawa Improvement Commission (1899-1927), succeeded by the Federal District Commission (1927-1958).

CORPORATION DATA

HEAD OFFICE	161 Laurier Avenue West Ottawa, Ontario K1P 6J6
STATUS	Schedule III, Part I An agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Elmer MacKay, P.C., M.P.
DEPARTMENT	Public Works
YEAR AND MEANS OF INCORPORATION	1958; by the *National Capital Act* (R.S.C. 1985, c. N-4), Amended in 1988 (S.C. 1988, c. 54).
CHAIRMAN	Jean Pigott
CHIEF EXECUTIVE OFFICER	Graeme Kirby
AUDITOR	Auditor General of Canada

FINANCIAL SUMMARY ($ million) Financial year ending March 31.

	1989-90	**1988-89**	**1987-88 (restated)**	**1986-87**
At the end of the year				
Total Assets	343.7	324.4	319.7	298.3
Obligations to the private sector	nil	nil	nil	nil
Obligations to Canada	nil	nil	nil	nil
Shareholder's Equity	301.2	282.8	285.8	269.4
Cash from Canada for the year				
Budgetary	94.1	91.3	103.0	62.4
Non-budgetary	nil	nil	nil	nil
Dividends	nil	nil	nil	nil

SUMMARY PAGE

OLD PORT OF MONTREAL CORPORATION INC.

MANDATE

To promote the development of the lands of Le Vieux-Port de Montréal and develop them and administer, manage and maintain Crown property there.

BACKGROUND

Since February 1982, the corporation has managed the Crown lands at Le Vieux-Port, including lands transferred to the Crown in 1983 from Canada Ports Corporation. Planning and consultation with the public and with the other levels of government have resulted in plans for major developments on the lands. The government of Canada has announced a series of projects that will be completed by 1992, the 350th anniversary of the founding of Montréal and the 125th anniversary of Confederation.

CORPORATION DATA

HEAD OFFICE	333 rue de la Commune West Montreal, Quebec H2Y 2E2
STATUS	A wholly-owned subsidiary of Canada Lands Company Limited; it has been directed by Order in Council (PC 1987-86) to report its affairs as if it were a parent Crown corporation. An agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Elmer MacKay, P.C., M.P.
DEPARTMENT	Public Works
YEAR AND MEANS OF INCORPORATION	1981; by Canada Lands Company Limited, under the *Canada Business Corporations Act.*
CHAIRMAN AND CHIEF EXECUTIVE OFFICER	Roger Beaulieu
AUDITOR	Auditor General of Canada

FINANCIAL SUMMARY ($ million) Financial year ending March 31.

	1989-90	1988-89	1987-88	1986-87
At the end of the year				
Total Assets	2.8	1.8	0.9	0.6
Obligations to the private sector	nil	nil	nil	nil
Obligations to Canada	nil	nil	0.1	nil
Shareholder's Equity	nil	nil	nil	nil
Cash from Canada for the year				
Budgetary	6.0	7.3	3.4	3.3
Non-budgetary	nil	nil	nil	nil
Dividends	nil	nil	nil	nil

SUMMARY PAGE

PACIFIC PILOTAGE AUTHORITY

MANDATE

To establish, operate, maintain and administer, in the interest of safety, an efficient pilotage service within designated waters in and around British Columbia.

BACKGROUND

Established in 1972, the Authority provides pilotage services and has the power to make regulations, subject to the approval of the Governor in Council, which establish compulsory pilotage areas; prescribe the ships/classes of ships that are subject to compulsory pilotage, the circumstances under which compulsory pilotage may be waived and pilotage tariffs; and which cover the licensing of pilots and issuance of pilotage certificates. Tariffs must be fair and reasonable and sufficient to permit the Authority to operate on a self-sustaining financial basis.

CORPORATION DATA

HEAD OFFICE	1199 West Hastings Street Suite 300 Vancouver, British Columbia V6E 4G9
STATUS	Schedule III, Part I Not an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Doug Lewis, P.C., M.P.
DEPARTMENT	Transport
YEAR AND MEANS OF INCORPORATION	1972; pursuant to the *Pilotage Act* (R.S.C. 1985, c. P-14).
CHAIRMAN AND CHIEF EXECUTIVE OFFICER	Robert J. Smith
AUDITOR	Auditor General of Canada

FINANCIAL SUMMARY ($ million) Financial year ending December 31.

	1989	**1988**	**1987**	**1986**
At the end of the year				
Total Assets	4.3	4.5	4.5	4.4
Obligations to the private sector	negl.	nil	nil	nil
Obligations to Canada	nil	nil	negl.	negl.
Shareholder's Equity	2.3	2.8	2.6	2.6
Cash from Canada for the year				
Budgetary	nil	nil	nil	nil
Non-budgetary	nil	nil	nil	nil
Dividends	nil	nil	nil	nil

negl. = negligible

SUMMARY PAGE

PETRO-CANADA

MANDATE

To explore for, research, develop, produce and distribute hydrocarbons and other types of fuel and energy, and to engage or invest in ventures related thereto.

BACKGROUND

Petro-Canada's growth was principally from its acquisition, in succession, of Atlantic Richfield, Pacific Petroleums, Petrofina, BP Canada and Gulf Canada rights and other assets but, as well, major new investments have been made by the corporation in conventional crude oil and gas exploration in Western Canada and in frontier drilling. It owns a significant share in the Hibernia and Terra Nova offshore fields. No federal funds have been invested in Petro-Canada since 1984. The government's plan to allow direct public ownership of Petro-Canada was announced in the February 1990 Budget.

CORPORATION DATA

HEAD OFFICE	150-6th Avenue, S.W. Calgary, Alberta T2P 3E3
STATUS	Schedule III, Part II An agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Jake Epp, P.C., M.P.
DEPARTMENT	Energy, Mines and Resources
YEAR AND MEANS OF INCORPORATION	1975; by the *Petro-Canada Act* (R.S.C. 1985, c. P-11).
CHAIRMAN AND CHIEF EXECUTIVE OFFICER	Wilbert H. Hopper
AUDITOR	Arthur Andersen & Co.

FINANCIAL SUMMARY ($ million) Financial year ending December 31.

	1989	1988* (restated)	1987* (restated)	1986* (restated)
At the end of the year				
Total Assets	6,818	6,752	6,816	6,628
Obligations to the private sector	1,948	2,010	1,894	1,740
Obligations to Canada	nil	nil	nil	nil
Shareholder's Equity	2,758	2,727	2,821	2,732
Cash from Canada for the year				
Budgetary	nil	nil	nil	nil
Non-budgetary	nil	nil	nil	nil
Dividends	nil	nil	nil	nil

* These financial statements were restated to reflect a change in 1989 in the method of accounting for exploration and development activities from the full cost to the successful efforts method.

SUMMARY PAGE

PETRO-CANADA INTERNATIONAL ASSISTANCE CORPORATION

MANDATE

To assist oil-importing developing countries to exploit their own hydrocarbon resources; to provide development assistance directly to Third World countries; and to be available as an executing agent for other institutions such as the World Bank.

BACKGROUND

PCIAC participates in oil and gas exploration in developing countries, conducts pre-exploration studies and provides technical assistance and training. Under the terms of an Operating Services Agreement, Petro-Canada acts as PCIAC's executing agent for the procurement of goods and services on a non-profit, cost-recovery basis.

CORPORATION DATA

HEAD OFFICE	Constitution Square Suite 1601 360 Albert Street Ottawa, Ontario K1R 7X7
STATUS	A wholly-owned subsidiary of Petro-Canada; it has been directed by Order in Council (PC 1985-2957) to report its affairs as if it were a parent Crown corporation. Not an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Jake Epp, P.C., M.P.
DEPARTMENT	Energy, Mines and Resources
YEAR AND MEANS OF INCORPORATION	1981; under the *Canada Business Corporations Act.*
CHAIRMAN AND CHIEF EXECUTIVE OFFICER	Peter M. Towe
AUDITOR	Arthur Andersen & Co.

FINANCIAL SUMMARY ($ million) Financial year ending March 31.

	1989-90	1988-89	1987-88	1986-87
At the end of the year				
Total Assets	3.1	3.1	2.7	8.9
Obligations to the private sector	negl.	nil	nil	nil
Obligations to Canada	nil	nil	nil	nil
Shareholder's Equity	negl.	negl.	negl.	negl.
Cash from Canada for the year				
Budgetary*	49.3	60.5	67.4	33.9
Non-budgetary	nil	nil	nil	nil
Dividends	nil	nil	nil	nil

* Includes funding for activity supporting CIDA Pakistan projects, received via CIDA (in 1987-88, $5.3 million; in 1986, $10.5 million and in 1985, $17.1 million).

negl. = negligible

SUMMARY PAGE

PORT OF QUEBEC CORPORATION

MANDATE

Administration, management and control of the Harbour of Quebec and all the works and property within the harbour under its jurisdiction.

BACKGROUND

The Port of Quebec Corporation was established on June 1, 1984, pursuant to the national ports policy to create local port corporations at the major ports and harbours previously under the centralized administration of the National Harbours Board and, since February 1983, the Canada Ports Corporation. The port is an important trans-shipment point for Canadian grain exports and has recently modernized its two grain elevators which are operated under contract by a private firm. In 1989 the Port of Quebec paid dividends to the federal government totalling $0.08 million.

CORPORATION DATA

HEAD OFFICE	150 Dalhousie Street P.O. Box 2268 Quebec City, Quebec G1K 7P7
STATUS	Schedule III, Part II An agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Doug Lewis, P.C., M.P.
DEPARTMENT	Transport
YEAR AND MEANS OF INCORPORATION	1984; letters patent of incorporation issued by the Minister of Transport pursuant to subsection 25(1) of the *Canada Ports Corporation Act.*
CHIEF EXECUTIVE OFFICER	Ross Gaudreault
CHAIRMAN	Guy Boulanger
AUDITOR	Peat Marwick Thorne

FINANCIAL SUMMARY ($ million) Financial year ending December 31.

	1989	1988	1987	1986
At the end of the year				
Total Assets	72.1	70.3	67.9	65.9
Obligations to the private sector	nil	nil	nil	nil
Obligations to Canada	nil	nil	nil	nil
Shareholder's Equity	68.0	66.4	63.9	61.8
Cash from Canada for the year				
Budgetary	nil	1.4	nil	nil
Non-budgetary	nil	nil	nil	nil
Dividends	0.08	0.31	0.004	21.73*

* Cash recovery from Canada.

SUMMARY PAGE

PRINCE RUPERT PORT CORPORATION

MANDATE

Administration, management and control of the Prince Rupert Harbour and all the works and property within the harbour under its jurisdiction.

BACKGROUND

The Prince Rupert Port Corporation was established on June 1, 1984, pursuant to the national ports policy to create local port corporations at the major ports and harbours previously under the centralized administration of the National Harbours Board and, since February 1983, the Canada Ports Corporation. In 1989 the Prince Rupert Port paid dividends to the Federal government of $1.1 million.

CORPORATION DATA

HEAD OFFICE	110 Third Avenue, West Prince Rupert, British Columbia V8J 1K8
STATUS	Schedule III, Part II An agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Doug Lewis, P.C., M.P.
DEPARTMENT	Transport
YEAR AND MEANS OF INCORPORATION	1984; letters patent of incorporation issued by the Minister of Transport, pursuant to subsection 25(1) of the *Canada Ports Corporation Act.*
CHIEF EXECUTIVE OFFICER	Terrence R. Andrew
CHAIRMAN	Don Seidel
AUDITOR	Peat Marwick Thorne

FINANCIAL SUMMARY ($ million) Financial year ending December 31.

	1989	1988	1987 (restated)	1986 (restated)
At the end of the year				
Total Assets	101.1	88.7	84.2	80.7
Obligations to the private sector	nil	nil	nil	nil
Obligations to Canada	54.6	48.3	48.3	75.4
Shareholder's Equity	42.4	39.2	34.8	(6.8)
Cash from Canada for the year				
Budgetary	nil	nil	nil	nil
Non-budgetary	4.5	nil	nil	nil
Dividends	1.12	0.94	0.78	1.30*

* Cash recovery from Canada.

SUMMARY PAGE

ROYAL CANADIAN MINT

MANDATE

To mint coins in anticipation of profit and to carry out other related activities.

BACKGROUND

Founded in 1908 as a branch of the Mint of the United Kingdom, its operations devolved to the Crown in right of Canada in 1931. It was a departmental agency of the government until 1969 when it was incorporated by legislation. *The Act to Amend the Royal Canadian Mint Act and the Currency Act,* which came into force on December 17, 1987, authorizes share capital for the corporation. In 1989, a share capital structure was created for the Mint and shares were issued to Canada. The corporation operates in a competitive international environment.

CORPORATION DATA

HEAD OFFICE	320 Sussex Drive Ottawa, Ontario K1A 0G8
STATUS	Schedule III, Part II An agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Paul Dick, P.C., M.P.
DEPARTMENT	Supply and Services
YEAR AND MEANS OF INCORPORATION	1969; by the *Royal Canadian Mint Act* (R.S.C. 1985, c. R-9).
CHIEF EXECUTIVE OFFICER	Maurice Lafontaine
CHAIRMAN	James Corkery
AUDITOR	Auditor General of Canada

FINANCIAL SUMMARY ($ million) Financial year ending December 31.

	1989	1988	1987	1986
At the end of the year				
Total Assets	101.2	121.4	127.4	116.8
Obligations to the private sector	nil	nil	0.1	0.4
Obligations to Canada	16.2	84.2*	87.2*	82.8
Shareholder's Equity	56.9	9.8	1.1	1.0
Cash from (to) Canada for the year				
Budgetary	nil	nil	nil	nil
Non-budgetary, net	32.3	(3.0)	(3.1)	(3.7)
Dividends	60.4*	nil	12.8	nil

* Includes $60.4 million of net earnings accumulated prior to the amendment of the Royal Canadian Mint Act, December 1987.

SUMMARY PAGE

SAINT JOHN PORT CORPORATION

MANDATE

Administration, management and control of the Saint John harbour and all the works and property within the harbour under its jurisdiction.

BACKGROUND

The Saint John Port Corporation was established on December 31, 1986, pursuant to the national ports policy to create local ports corporations at the major ports and harbours previously under the centralized administration of the National Harbours Board and, since February 1983, the Canada Ports Corporation. Total traffic through Saint John in 1989 was 14.7 million tonnes. Petroleum products, in particular crude oil imports at 11.7 million tonnes, accounted for 80 per cent of the tonnage, the rest being forest products, potash, grain and salt.

CORPORATION DATA

HEAD OFFICE	133 Prince William Street P.O. Box 6429, Station A Saint John, New Brunswick E2L 4R8
STATUS	Schedule III, Part II An agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Doug Lewis, P.C., M.P.
DEPARTMENT	Transport
YEAR AND MEANS OF INCORPORATION	1986; letters patent issued by the Minister of Transport pursuant to subsection 25(1) of the *Canada Ports Corporation Act*.
CHIEF EXECUTIVE OFFICER	Kenneth Krauter
CHAIRMAN	Harry P. Gaunce
AUDITOR	Ernst and Young

FINANCIAL SUMMARY ($ million) Financial year ending December 31.

	1989	**1988**	**1987**	**1986**
At the end of the year				
Total Assets	92.1	91.5	91.5	92.5
Obligations to the private sector	nil	nil	nil	nil
Obligations to Canada	20.1	20.1	20.1	58.3
Shareholder's Equity	50.3	50.1	48.0	1.6
Cash from Canada for the year				
Budgetary	nil	nil	nil	nil
Non-budgetary	nil	nil	nil	nil
Dividends	nil	nil	nil	1.03*

*Cash recovery from Canada.

SUMMARY PAGE

ST. JOHN'S PORT CORPORATION

MANDATE

Administration, management and control of the Harbour of St. John's and all the works and property within the harbour under its jurisdiction.

BACKGROUND

St. John's Port Corporation was established on June 1, 1985, pursuant to the national ports policy to create local ports corporations at the major ports and harbours previously under the centralized administration of the National Harbours Board and, since February 1983, the Canada Ports Corporation.

CORPORATION DATA

HEAD OFFICE	3 Water Street P.O. Box 6178 St. John's, Newfoundland A1C 5X8
STATUS	Schedule III, Part II An agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Doug Lewis, P.C., M.P.
DEPARTMENT	Transport
YEAR AND MEANS OF INCORPORATION	1985; letters patent issued by the Minister of Transport, pursuant to subsection 25(1) of the *Canada Ports Corporation Act.*
CHIEF EXECUTIVE OFFICER	David Fox
CHAIRMAN	Fred Milley
AUDITOR	Doane Raymond

FINANCIAL SUMMARY ($ million) Financial year ending December 31.

	1989	1988	1987	1986
At the end of the year				
Total Assets	16.5	16.9	15.6	14.4
Obligations to the private sector	nil	nil	nil	nil
Obligations to Canada	3.1	3.3	2.5	1.5
Shareholder's Equity	12.7	12.3	12.2	11.9
Cash from Canada for the year				
Budgetary	2.1	nil	nil	nil
Non-budgetary	nil	0.8	1.0	nil
Dividends	nil	nil	0.15	1.84*

*Cash recovery from Canada.

SUMMARY PAGE

ST. LAWRENCE SEAWAY AUTHORITY, THE

MANDATE

Construction, operation and maintenance of canals, bridges, works and other property related to the deep waterway between the Port of Montreal and Lake Erie, known as the St. Lawrence Seaway.

BACKGROUND

The St. Lawrence Seaway Authority was established in 1954 to construct and operate the Seaway in conjunction with an appropriate authority in the United States and to construct, maintain and operate bridges and other works and property incidental thereto as the Governor in Council may deem to be necessary. The Authority operates 13 locks and related works in Canadian territory along the waterway, as well as four high-level bridges traversing the St. Lawrence River. Two locks in the United States are operated by the St. Lawrence Seaway Development Corporation.

A wholly-owned subsidiary, the Seaway International Bridge Corporation, Ltd. was established in 1962 to manage the international bridge at Cornwall, Ontario. A second wholly-owned subsidiary, the Jacques Cartier and Champlain Bridges Incorporated was established to manage the two high-level bridges in Montreal when these were transferred from the National Harbours Board in 1978. A third wholly-owned subsidiary, Great Lakes Pilotage Authority, Ltd. is a parent Crown corporation for the purposes of the *Financial Administration Act*. The Canadian span of the Thousand Islands Bridge at Lansdowne, Ontario has been directly administered by the Authority since this property reverted to Canada in 1976.

CORPORATION DATA

HEAD OFFICE	360 Albert Street Ottawa, Ontario K1R 7X7
STATUS	Schedule III, Part I an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Doug Lewis, P.C., M.P.
DEPARTMENT	Transport
YEAR AND MEANS OF INCORPORATION	1954; pursuant to section 3 of the *St. Lawrence Seaway Authority Act* (R.S.C. 1985, c. S-2).
CHIEF EXECUTIVE OFFICER	Glendon R. Stewart
AUDITOR	The Auditor General of Canada

FINANCIAL SUMMARY ($ million) Financial years ending March 31.

	1989-90	1988-89	1987-88**	1986-87
At the end of the year				
Total Assets	600.3	604.5	603.0	652.8
Obligations to the private sector	nil	nil	nil	nil
Obligations to Canada	nil	nil	nil*	210.0
Equity of Canada	573.7	576.5	576.8*	417.2
Cash from Canada for the year				
Budgetary	26.9	25.4	24.5	13.2
Non-budgetary	nil	nil	nil	nil
Dividends	nil	nil	nil	nil

* Obligations to Canada were forgiven by Transport vote 2c, 1987-88. This resulted in some reduction of corporation Fixed Assets, because a portion of the interest obligation had been capitalized, but mostly it added to the Equity of Canada.

** These data do not reflect restatement of this year's accounts in the corporation's 1987-88 Annual Report.

SUMMARY PAGE

STANDARDS COUNCIL OF CANADA

MANDATE

To foster and promote voluntary standardization in fields relating to the construction, manufacture, production, quality, performance and safety of buildings, structures, manufactured articles and products, and other goods not expressly provided for by law, as a means of advancing the national economy, benefiting the public, protecting consumers and facilitating trade, and furthering international cooperation in relation to standards.

BACKGROUND

The Council coordinates the activities of organizations involved in standardization in Canada, and represents Canada in international standardization organizations.

CORPORATION DATA

HEAD OFFICE	Suite 1200 350 Sparks Street Ottawa, Ontario K1P 6N7
STATUS	Schedule III, Part I Not an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Pierre Blais, P.C., M.P.
DEPARTMENT	Consumer and Corporate Affairs
YEAR AND MEANS OF INCORPORATION	1970; by the *Standards Council of Canada Act* (R.S.C. 1985, c. S-16).
CHIEF EXECUTIVE OFFICER	John R. Woods
CHAIRMAN	Georges Archer
AUDITOR	Auditor General of Canada

FINANCIAL SUMMARY ($ million) Financial year ending March 31.

	1989-90	1988-89	1987-88	1986-87
At the end of the year				
Total Assets	2.2	1.6	1.7	3.0
Obligations to the private sector	nil	nil	nil	nil
Obligations to Canada	nil	nil	nil	nil
Shareholder's Equity	0.9	0.7	0.7	1.9
Cash from Canada for the year				
Budgetary	7.6	6.9	6.5	6.7
Non-budgetary	nil	nil	nil	nil
Dividends	nil	nil	nil	0.9

SUMMARY PAGE

TELEGLOBE CANADA

MANDATE

Since 1949, to establish, maintain and operate, in Canada and elsewhere, international telecommunications services for the conduct of public communications; this mandate ended on April 3, 1987 with the sale of its business.

BACKGROUND

Originally the Canadian Overseas Telecommunications Corporation, its name was changed in 1975 by the *Teleglobe Canada Act*. The transfer of this business to a subsidiary and the sale of the latter to Memotec Data Inc. was announced by the government on February 11, 1987 and, with the proclamation of the *Teleglobe Canada Reorganization and Divestiture Act*, took place on April 3, 1987. The corporation remains in existence, but inactive. Steps are being taken now so that the corporation may be dissolved.

CORPORATION DATA

HEAD OFFICE	c/o Canada Development Investment Corporation, Suite 2703 Scotia Plaza P.O. Box 320 Toronto, Ontario M5X 1A4
STATUS	Schedule III, Part II An agent of Her Majesty
APPROPRIATE MINISTER	The Honourable John McDermid, P.C., M.P., Minister of State (Privatization and Regulatory Affairs)
YEAR AND MEANS OF INCORPORATION	1949; by the *Canadian Overseas Telecommunications Act* (R.S.C. 1985, c. T-4).
CHAIRMAN AND CHIEF EXECUTIVE OFFICER	Vacant
AUDITOR	Auditor General of Canada

FINANCIAL SUMMARY ($ million) Financial year ending December 31.

	1989	1988	1987	1986
At the end of the year				
Total Assets	0.3	2.9	84.2	502.4
Obligations to the private sector	nil	nil	nil	57.1
Obligations to Canada	nil	nil	nil	2.6
Shareholder's Equity	0.3	2.7	84.2	290.3
Cash from (to) Canada for the year, net				
Budgetary	nil	nil	nil	nil
Non-budgetary	nil	nil	(2.6)	(1.3)
Dividends	2.5	85.0	440.5*	80.0

* Includes $119.2 million income tax paid on profits on the sale of Teleglobe's assets and business.

SUMMARY PAGE

VANCOUVER PORT CORPORATION

MANDATE

Administration, management and control of the Vancouver Harbour and all the works and property within the harbour under its jurisdiction.

BACKGROUND

The Vancouver Port Corporation was established on July 1, 1983, pursuant to the national ports policy to create local port corporations at the major ports and harbours previously under the centralized administration of the National Harbours Board and, since February 1983, the Canada Ports Corporation. Vancouver is the busiest port in Canada. In 1989, the port realized a net income of $28.3 million and returned $8.1 million in dividends to the federal government.

CORPORATION DATA

HEAD OFFICE	1900 Granville Square 200 Granville Street Vancouver, British Columbia V6C 2P9
STATUS	Schedule III, Part II An agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Doug Lewis, P.C., M.P.
DEPARTMENT	Transport
YEAR AND MEANS OF INCORPORATION	1983; letters patent of incorporation issued by the Minister of Transport pursuant to subsection 25(1) of the *Canada Ports Corporation Act.*
CHIEF EXECUTIVE OFFICER	Captain Norman Stark (Acting)
CHAIRMAN	Hector D. Perry
AUDITOR	Peat Marwick Thorne

FINANCIAL SUMMARY ($ million) Financial year ending December 31.

	1989	**1988**	**1987**	**1986**
At the end of the year				
Total Assets	303.4	291.7	251.5	236.9
Obligations to the private sector	nil	nil	nil	nil
Obligations to Canada	3.7	3.9	4.1	80.8
Shareholder's Equity	287.8	267.6	235.5	116.2
Cash from Canada for the year				
Budgetary	nil	nil	nil	0.5
Non-budgetary	nil	nil	nil	nil
Dividends	8.07	6.0	5.8	23.33*

* Cash recovery from Canada.

SUMMARY PAGE

VIA RAIL CANADA INC.

MANDATE

To manage and provide safe, efficient, effective and economic rail passenger service in Canada to meet the needs of the travelling public.

BACKGROUND

In accordance with contracts with the Minister of Transport, VIA Rail operates passenger train services over CN and CP railway tracks. In the April 1989 Budget the government announced reductions in planned funding for the corporation. A revised network, which was part of a new business plan that included increased fares and service reductions, was implemented on January 15, 1990.

CORPORATION DATA

HEAD OFFICE	2 Place Ville-Marie Montreal, Quebec H3B 2G6
STATUS	Schedule III, Part I Not an agent of Her Majesty
APPROPRIATE MINISTER	The Honourable Doug Lewis, P.C., M.P.
DEPARTMENT	Transport
YEAR AND MEANS OF INCORPORATION	1977; under the *Canada Business Corporations Act*.
CHIEF EXECUTIVE OFFICER	Ronald Lawless
CHAIRMAN	Lawrence Hanigan
AUDITOR	Raymond, Chabot, Martin, Paré & Associates

FINANCIAL SUMMARY ($ million) Financial year ending December 31.

	1989	**1988**	**1987 (restated)**	**1986**
At the end of the year				
Total Assets	938	1,070	954	964
Obligations to the private sector	nil	nil	negl.	4
Obligations to Canada	nil	nil	nil	nil
Shareholder's Equity	606	839	769	743
Cash from Canada for the year				
Budgetary	531.5	637	536	506
Non-budgetary	nil	nil	nil	nil
Dividends	nil	nil	nil	nil

negl. = negligible

PART II

CORPORATE INTERESTS OF CANADA INCLUDING SUBSIDIARIES OF CROWN CORPORATIONS

CORPORATE INTERESTS OF CANADA INCLUDING SUBSIDIARIES OF CROWN CORPORATIONS

INTRODUCTION

Part II of this Annual Report responds to the provision in paragraph 151(3)(a) of the *Financial Administration Act* that the Report of the President "shall include a list naming, as of a specified date, all Crown corporations and all corporations of which any shares are held by, on behalf of, or in trust for the Crown or any Crown corporation." It consists of four sections:

1. **Statistical Summary of the Corporate Interests of Canada.** The number of parent Crown corporations, subsidiaries and associates is at the financial year-ends of the parent Crown corporations. The number of joint and mixed enterprises, other entities and international organizations is as at March 31, 1990.

2. **Listings of the Corporate Interests of Canada.** These are grouped as:

2.1 Parent Crown Corporations and their Subsidiaries and Associates, including:

- subsidiaries held at 100%;
- subsidiaries held at 50-99%; and,
- associates held at less than 50%.

2.2 Joint and Mixed Enterprises—corporate entities in which Canada, through a Minister, owns shares, the rest being owned by private sector parties or by another level of government.

2.3 Other Entities—corporate entities in which Canada holds no shares but, directly or through a Crown corporation, has a right pursuant to statute, articles of incorporation, letters patent or by-law, to appoint or nominate one or more members of the board of directors or similar governing body.

2.4 International Organizations—are corporate entities created pursuant to international agreements by which Canada has a right to appoint or elect members to a governing body.

3. **Changes to the Listings of Corporate Interests of Canada.** This section provides the names of corporations deleted or added to the listings since the last Annual Report. For parent Crown corporations, the changes are at their financial years ending on or before July 31, 1990 compared to their preceding financial year-ends. For the other corporate interests of Canada, the changes are at March 31, 1990 compared to March 31, 1989.

4. **Information about Other Corporate Interests of Canada.** The descriptions of the mandates of the joint and mixed enterprises, other entities, and international organizations appearing in this section are intended to convey the essence of those mandates. They are not legal descriptions. Similarly, the description of the government's objective in making investments in these corporations is a summary. For further information, the reader is referred to the special Acts, articles of incorporation and annual reports of the corporations. The federal ownership percentage displayed is based on the number of voting shares.

1. STATISTICAL SUMMARY OF THE CORPORATE INTERESTS OF CANADA

	1990	1989
Crown Corporations		
• Parent Crown corporations including eight corporations which are exempted from Part X of the FAA	53	53
• Wholly-owned subsidiaries	112	112
TOTAL	165	165
Crown Corporations' Investments (direct and indirect)		
• Subsidiaries held at 50% or more but less than 100%	27	28
• Associates held at less than 50%	103	104
TOTAL	130	132
Joint and Mixed Enterprises	22	17
Other Entities	44	43
International Organizations	13	13

2. LISTINGS OF THE CORPORATE INTERESTS OF CANADA

2.1 PARENT CROWN CORPORATIONS* AND THEIR WHOLLY-OWNED SUBSIDIARIES, OTHER SUBSIDIARIES AND ASSOCIATES (as at their financial year ends on or before July 31, 1990)

1. Atlantic Pilotage Authority (III-I)

2. Atomic Energy of Canada Limited (III-I)

3. Bank of Canada (Exempted)

4. Canada Council (Exempted)

5. Canada Deposit Insurance Corporation (III-I)

6. Canada Development Investment Corporation (III-II)
    - Subsidiaries held at 100%
        - Canada Eldor Inc.—and its Associate
            - CAMECO - A Canadian Mining & Energy Corporation (38.5%)
        - Cartierville Financial Corporation
        - Nordion International Inc.
        - Theratronics International Limited
    - Subsidiaries held at 50-99%
        - GINN Publishing Canada Inc. (51%)
    - Associates held at less than 50%
        - Varity Corporation (1.8%)

7. Canada Harbour Place Corporation (III-I)

8. Canada Lands Company Limited (III-I)
    - Subsidiaries held at 100%
        - Canada Lands Company (Mirabel) Limited
        - Canada Lands Company (Vieux-Port de Québec) Inc.
        - Old Port of Montreal Corporation Inc.

9. Canada Mortgage and Housing Corporation (III-I)

10. Canada Museums Construction Corporation Inc. (III-I)

11. Canada Ports Corporation (III-II)
    - Subsidiary held at 50-99%
        - Ridley Terminals Inc. (90%)

12. Canada Post Corporation (III-II)
    - Associates held at less than 50%
        - Cooperative Vereniging International Post Corporation U.A. (6.9%)

---

* For corporations scheduled in the *Financial Administration Act* (FAA), the relevant schedule is shown in parentheses immediately following the corporation's name. Under the FAA, a subsidiary is a Crown corporation if it is wholly-owned directly or indirectly by one or more parent Crown corporation.

13. Canadian Broadcasting Corporation (Exempted)
    - Associates held at less than 50%
        - Cable North Microwave Limited (1 share)
        - Master FM Limited (20%)
        - Visnews Limited (1 share)

14. Canadian Commercial Corporation (III-I)

15. Canadian Dairy Commission (III-I)

16. Canadian Film Development Corporation (Exempted)

17. Canadian Institute for International Peace and Security (Exempted)

18. Canadian Livestock Feed Board (III-I)

19. Canadian National Railway Company (III-II)
    - Subsidiaries held at 100%
        - Autoport Limited
        - The Canada and Gulf Terminal Railway Company
        - Canadian National Express Company
        - The Canadian National Railways Securities Trust
        - Canadian National Steamship Company, Limited
        - Canadian National Telegraph Company—and its Subsidiary
            - The Great North Western Telegraph Company of Canada (94.54%)
        - Canadian National Transfer Company Limited
        - Canadian National Transportation, Limited—and its Subsidiaries
            - Chapman Transport Limited
            - Empire Freightways Limited
            - Royal Transportation Limited
        - Canat Limited
        - CN (France) S.A.
        - CNM Inc.—and its Subsidiary/Associates
            - Halifax Industries (Holdings) Limited (33.3%)
            - Lakespan Marine Inc. (50%)
            - Seabase Limited (15%)
        - CN Tower Limited
        - CN Transactions Inc.—and its Subsidiary
            - Canac International Inc.—and its Subsidiary
                - Canac International Ltd.
            - Canaprev Inc. (50%)
            - Canaven Limited
            - CN Exploration Inc.
            - Portage & Main Development Ltd. (50%)
            - The Toronto Terminals Railway Company (50%)

19. Canadian National Railway Company (III-II)—*Concluded*
    - Subsidiaries held at 100%—*Concluded*
        - EID Electronic Identification Systems Ltd.
        - Grand Trunk Corporation—and its Subsidiaries
            - Central Vermont Railway, Inc.
            - Domestic Four Leasing Corporation
            - Domestic Two Leasing Corporation—and its Subsidiary
                - Relco Financial Corp.
            - Duluth, Winnipeg and Pacific Railway Company
            - Grand Trunk Land Development Corporation
            - Grand Trunk Radio Communications, Inc.
            - Grand Trunk Western Railroad Company— and its Subsidiary/Associates
                - The Belt Railway Company of Chicago (8.33%)
                - Chicago and Western Indiana Railroad Company (20%)
                - Domestic Three Leasing Corporation
                - Trailer Train Company (2.7%)
        - The Minnesota and Manitoba Railroad Company
        - The Minnesota and Ontario Bridge Company
        - Mount Royal Tunnel and Terminal Company, Limited
    - Subsidiaries held at 50-99%
        - The Canada Southern Railway Company (50%)
        - The Canadian Northern Quebec Railway Company (59.7%)
        - Detroit River Tunnel Company (50%)
        - The Northern Consolidated Holding Company Limited (71.9%)
        - The Public Markets, Limited (50%)
        - The Quebec and Lake St. John Railway Company (89.1%)
        - Shawinigan Terminal Railway Company (50%)
    - Associates held at less than 50%
        - Compagnie de gestion de Matane Inc. (49%)
        - Dome Consortium Investments Inc. (10.52%)
        - Eurocanadian Shipholdings Limited (18%)
        - Fort Point Holdings Ltd. (25%)
        - Halterm Limited (33.33%)
        - Railroad Association Insurance, Ltd. (7.4%)
        - Telesat Canada (3.75%)

20. Canadian National (West Indies) Steamships, Ltd. (III-I)*

21. Canadian Patents and Development Limited (III-I)

22. Canadian Saltfish Corporation (III-I)

23. Canadian Wheat Board, The (Exempted)

---

* In process of dissolution.

24. Cape Breton Development Corporation (III-I)
    - Subsidiaries held at 100%
        - Cape Breton Carbofuels Limited (Inactive)

25. Defence Construction (1951) Limited (III-I)

26. Enterprise Cape Breton Corporation (III-I)
    - Subsidiaries held at 100%
        - Cape Breton Marine Farming Limited (Inactive)
        - Darr (Cape Breton) Limited
        - Dundee Estates Limited
    - Subsidiaries held at 50-99%
        - Whale Cove Summer Village Limited (62.5%)
    - Associates held at less than 50%
        - Barklay Systems Limited**
        - Canadian Tennis Technology Limited
        - General Mining Building Limited
        - Haak Conveyor & Manufacturing Limited (42%)
        - Nova Aqua Limited Partnership**
        - Nova Scotia Clam Limited**

27. Export Development Corporation (III-I)

28. Farm Credit Corporation (III-I)

29. Federal Business Development Bank (III-I)

30. Freshwater Fish Marketing Corporation (III-I)

31. Great Lakes Pilotage Authority, Ltd. (III-I)

32. Halifax Port Corporation (III-II)

33. Harbourfront Corporation (III-I)
    - Subsidiaries held at 100%
        - Peter Street Basin Properties Inc.
        - 630370 Ontario Ltd.
    - Subsidiaries held at 50-99%
        - Art Gallery at Harbourfront (membership interest)
        - International Readings at Harbourfront
        - School-By-the-Water (membership interest)

34. International Centre for Ocean Development (III-I)

35. International Development Research Centre (Exempted)

36. Laurentian Pilotage Authority (III-I)

---

* In process of dissolution

** Only preferred shares, non-voting are held.

37. Marine Atlantic Inc. (III-I)
    - Subsidiaries held at 100%
        - Coastal Transport Ltd.
        - Newfoundland Dockyard Company

38. Mingan Associates Ltd. (III-I) (Inactive)

39. Montreal Port Corporation (III-II)

40. National Arts Centre Corporation (Exempted)

41. National Capital Commission (III-I)

42. Pacific Pilotage Authority (III-I)

43. Petro-Canada (III-II)
    - Subsidiaries held at 100%
        - Canertech Inc.*
        - Petro-Canada International Assistance Corporation (acting parent Crown corporation)
        - Petro-Canada Inc.—and its Subsidiaries/Associates
            - Alberta Products Pipeline Ltd. (35%)
            - Amauligak Exploration Inc.
            - Arctic Pilot Project Inc.
            - Asher American, Inc.
            - Bent Horn Development Inc.
            - Blakeney and Son (1979) Ltd.
            - BP Marketing Canada Limited
            - Canadian Petroleum Studies Inc.
            - Canstar Oil Sands Ltd. (50%)
            - Chatelaine Restaurants Limited
            - Dépanneurs Le Frigo Ltée.
            - Downhole Systems Technology Canada Inc. (18.30%)
            - Ducharme et Carbone (1981) Inc.
            - Fifth Pacific Stations Ltd.
            - First Pacific Stations Ltd.
            - Fourth Pacific Stations Ltd.
            - Fundy Energy Inc. (49%)
            - GMI Co. (Bahamas) Limited
            - Harvey's Oil Limited (49.9%)
            - Hibernia Management & Development Company Ltd. (25%)
            - Independent Fuels & Lumber Ltd.*
            - International de Services Industriels et Scientifique, S.A. (27%)
            - Jiffy Lube Inc. (49%)
            - Kenmac Energy Inc. (49%)
            - Les Huiles Desroches Inc. (45%)

---

* In process of dissolution

43. Petro-Canada (III-II)—*Continued*

Subsidiaries held at 100%—*Continued*

Petro-Canada Inc.—and its Subsidiaries/Associates—*Continued*

Les Huiles Du Royaume Inc. (50%)
Les Huiles Lamontagne Inc. (49%)
Les Huiles Town & Country Inc. (49%)
Les Pétroles De La Maurice (Canada) Inc. (49.99%)
Les Pétroles Saint-Jean-Sur Richelieu Inc. (49%)
Les Pétroles Sherbrooke Inc. (47%)
Les Pétroles Vosco (Canada) Ltée (49%)
MacGillvray Fuels Limited (49%)
Marc Dufresne (1978) Inc. (49.99%)
Marchand Petroleum (Canada Inc.) (50%)
Montreal Pipeline Limited (23.8%)
Morrow Fuel Oil Sales Ltd.
Northward Development Ltd. (17%)
Northwest Terminals Ltd.
Opal Oils Limited—and its Subsidiary
Commodore Oil Limited
Pacific Northern Gas Ltd. (18%)
Pacific Petroleums Ltd.*
Pacific Pipelines, Inc.
Panarctic Oils Ltd. (52.73%)
Peace Pipeline Ltd. (10.89%)
Pétro Sud-Ouest Inc. (49%)
Petro-Canada (Argentina) Inc.
Petro-Canada (Barito) Inc.
Petro-Canada Centre Inc. (50%)—and its Subsidiary
Petro-Canada Centre Finance Inc.
Petro-Canada Chemicals Inc.
Petro-Canada Consulting Corporation
Petro-Canada Enterprises Inc.
Petro-Canada Espanola, S.A.
Petro-Canada Hydrocarbons Inc.
Petro-Canada (Indonesia) Inc.
Petro-Canada (Malaysia) Inc.
Petro-Canada (Myamnar) Inc.
Petro-Canada (North Africa) Inc.
Petro-Canada Oil & Gas Inc.
Petro-Canada (Pakistan) Inc.
Petro-Canada (P.D.R.Y.) Inc.
Petro-Canada Petroleum Inc.*
Petro-Canada Petroleum Marketing Inc.

---

* In process of dissolution

43. Petro-Canada (III-II)—*Continued*

Subsidiaries held at 100%—*Continued*

Petro-Canada Inc.—and its Subsidiaries/Associates—*Continued*

Petro-Canada (South America) Inc.
Petro-Canada (Thailand) Inc.
Petro-Canada (U.K.) Limited
Petro-Canada (Vietnam) Inc.
Petro-Canada Youth Inc.
Petrogas Processing Ltd. (11.35%)
Pétroles M. Miron Inc. (49.9%)
Petrole Chaleurs (1981) Inc. (49.9%)
Petroleum Transmission Company
Prairie Leaseholds Ltd.
Redwater Water Disposal Co. Ltd. (21.36%)
Rocair Limited
Second Pacific Stations Ltd.
Sedpex Inc. (50%)
Servico Limited
St. Laurent Petroleum Inc.
Sulconam Inc. (7.6%)
Sydco Fuels Inc. (49.98%)
Syncrude Canada Ltd. (17%)
Third Pacific Stations Ltd.
Touchcom Inc. (45%)
TransNorthern Pipeline Ltd. (33.3%)
Wayfare Restaurants Limited
West Nova Inc. (50%)
Westcoast Energy Inc. (36.5%)—and its Subsidiaries/Associates
Foothills Pipe Lines Ltd. (50%)—and its Subsidiaries
Foothills Engineering Ltd.
Foothills Pipe Lines (Alta.) Ltd. (51%)
Foothills Pipe Lines (North B.C.) Ltd. (51%)
Foothills Pipe Lines (North Yukon) Ltd.
Foothills Pipe Lines (Sask.) Ltd. (51%)
Foothills Pipe Lines (South B.C.) Ltd. (51%)
Foothills Pipe Lines (South Yukon) Ltd.
Pacific Northern Gas Ltd. (43%)—and its Subsidiary
PNG Marketing Ltd.
Saratoga Processing Company Limited (25%)
Vancal Properties Ltd.
W.T. Investments Inc.
Westcoast Energy Marketing Ltd.
Westcoast Energy Pipelines Limited—and its Subsidiary
Pacific Coast Energy Corporation (50%)

43. Petro-Canada (III-II)—*Concluded*

Subsidiaries held at 100%—*Concluded*

Petro-Canada Inc.—and its Subsidiaries/Associates—*Concluded*

Westcoast Energy Inc. (36.5%)—and its Subsidiaries/Associates—*Concluded*

Westcoast Gas Inc.

Westcoast Petroleum Ltd.—and its Subsidiaries

Canadian Roxy Petroleum Ltd. (82.3%)

Dover Petroleum Company

Westcoast Resources Inc.

Westcoast Production Co. (Africa) Ltd.

292643 B.C. Ltd.

Westcoast Transmission Company, Inc.

Westcoast Transmission Company Limited

Westcoast Transmission Company (Alberta) Ltd.

XYCHEM Inc.

103912 Canada Inc.

106616 Canada Inc.

106621 Canada Inc.

128963 Canada Inc. (49%)

146923 Canada Ltd.

146924 Canada Ltd.

158226 Canada Inc.

288564 Alberta Ltd. (50%)

1283-9304 Quebec Inc.

Subsidiaries held at less than 5% (other interests)

Carnduff Gas Limited

Cheyenne Petroleum Corp. (NPL)

Cynthia Gas Gathering Company Limited

Dreco Energy Services Ltd.

East Coast Spill Response Inc.

House of Brougham Limited

Kanata Hotels International Inc.

Manhattan Continental Dev. Corp.

Northwood Pulp and Timber Limited

Oil Spill Response Limited

Pacific Energy Resources Ltd.

Polar Gas Engineering Services Ltd.

Rimbey Pipe Line Co. Ltd.

Sultran Ltd.

Toronto Credits Limited

Trans Canada Resources Ltd.

Wardean Drilling Co. Limited

204383 Enterprises Inc.

346877 Ontario Limited

44. Port of Quebec Corporation (III-II)

45. Prince Rupert Port Corporation (III-II)

46. Royal Canadian Mint (III-II)

47. Saint John Port Corporation (III-II)

48. St. John's Port Corporation (III-II)

49. St. Lawrence Seaway Authority, The (III-I)
    Subsidiaries held at 100%
        Great Lakes Pilotage Authority, Ltd.***
        The Jacques Cartier and Champlain Bridges Incorporated
        The Seaway International Bridge Corporation, Ltd.

50. Standards Council of Canada (III-I)

51. Teleglobe Canada (III-II)

52. Vancouver Port Corporation (III-II)

53. VIA Rail Canada Inc. (III-I)
    Associates held at less than 50%
        Railroad Association Insurance, Ltd. (4%)

*** Not included in Statistical Summary of wholly-owned subsidiaries. Scheduled as a parent Crown corporation pursuant to The Pilotage Act.

2.2 JOINT AND MIXED ENTERPRISES (as at March 31, 1990)

These are enterprises with share capital which is owned partly by Canada, the rest being owned by private sector parties or by other levels of government to further common objectives. Their subsidiaries and associates are not listed.

1. Canarctic Shipping Company Limited
2. Cooperative Energy Corporation
3. Lower Churchill Development Corporation Limited
4. National Sea Products Ltd.
5. North Portage Development Corporation
6. NPM Nuclear Project Managers Canada Inc.
7. Société du parc industriel et portuaire Québec-sud
8. Telesat Canada

Table 4.1 provides additional information about the above corporate interests of Canada.

Under terms of the *Bankruptcy Act*, the Superintendent of Bankruptcy has received shares in the following corporations:

9. Aurora Gold Ltd.
10. Blake Resources
11. Braeswood Explorations Limited
12. Carolin Mines Ltd.
13. Equity Capital Investments Ltd.
14. Havelock Energy & Resources Inc.
15. House of Brougham Ltd.
16. International Datacasting Corporation
17. International Hydrodynamics Co. Ltd.
18. Magnus Aerospace Corporation
19. Mission River Petroleum Ltd.
20. North Slope Refiners Inc.
21. Totran Services Ltd.
22. Vercan Investments Inc.

2.3 OTHER ENTITIES (as at March 31, 1990)

These are corporate entities without share capital for which the Government of Canada has a right to appoint members to the boards of directors or similar governing bodies. The Harbour Commissions are grouped at the foot of this list. Table 4.2 provides additional information about these corporate interests of Canada.

1. Asia-Pacific Foundation of Canada

2. The Army Benevolent Fund

3. Association for the Export of Canadian Books

4. The Blue Water Bridge Authority

5. Board of Trustees of the Queen Elizabeth II Canadian Fund to Aid in Research on the Diseases of Children

6. Buffalo and Fort Erie Public Bridge Authority

7. Calgary Olympic Development Association

8. Canada Grains Council

9. Canadian Centre on Substance Abuse

10. Canadian Fitness and Lifestyle Research Institute Inc.

11. Canadian International Grains Institute

12. Canadian Livestock Records Corporation

13. Canadian Sport and Fitness Administration Centre Inc.

14. Coaching Association of Canada

15. Forest Engineering Research Institute of Canada

16. FORINTEK Canada Corp.

17. International Centre for Human Rights and Democratic Development

18. International Fisheries Commission Pension Society

19. Last Post Fund

20. Maritime Forestry Complex Corp.

21 Medical Council of Canada

22. The Nature Trust of British Columbia

23. Northern Native Fishing Corporation

24. NWT Co-operative Business Development Fund

25. PARTICIPaction
26. POS Pilot Plant Corporation
27. Pulp and Paper Research Institute of Canada
28. Roosevelt Campobello International Park Commission
29. Saint John Harbour Bridge Authority
30. Terry Fox Humanitarian Award Inc.
31. The Vanier Institute of the Family
32. The Victoria Commonwealth Games Host Society
33. Western Grains Research Foundation
34. The 1991 Canada Games Society (P.E.I.) Inc.
35. The 1989 Jeux Canada Games Society Saskatoon Inc.

Harbour Commissions

36. Fraser River Harbour Commission
37. The Hamilton Harbour Commissioners
38. Thunder Bay Harbour Commission
39. Nanaimo Harbour Commission
40. North Fraser Harbour Commission
41. Oshawa Harbour Commission
42. Port Alberni Harbour Commission
43. The Toronto Harbour Commissioners
44. Windsor Harbour Commission

2.4 INTERNATIONAL ORGANIZATIONS (as of March 31, 1990)

Corporate entities created pursuant to international agreements where Canada has a right to appoint or elect members to a governing body. Table 4.3 provides additional information about these corporate interests of Canada.

1. African Development Bank
2. African Development Fund
3. Asian Development Bank
4. Caribbean Development Bank
5. Commonwealth War Graves Commission
6. Inter American Development Bank
7. International Bank for Reconstruction and Development
8. International Boundary Commission
9. International Development Association
10. International Finance Corporation
11. International Fund for Agricultural Development
12. International Monetary Fund
13. Multilateral Investment Guarantee Agency

3. CHANGES TO THE LISTINGS OF CORPORATE INTERESTS OF CANADA

3.1 Crown Corporations: Financial years ending on or before July 31, 1990

1. Canada Development Investment Corporation	
Subsidiaries held at 50-99%	
GINN and Company (Canada) (51%)	Deleted
GINN Publishing Canada Inc. (51%)	Added
GLC Publishers Ltd. (51%)	Deleted
2. Canada Post Corporation	
Associates held at less than 50%	
International Post Corporation S.A. (9.9%)	Deleted
FMS International Ltd. (7.3%)	Deleted
3. Canadian Broadcasting Corporation	
Associates held at less than 50%	
Visnews (1 share)	Added
4. Enterprise Cape Breton Corporation	
Associates held at less than 50%	
Barklay Systems Limited	Added
Canada Tennis Technology Limited	Added
General Mining Building Limited	Added
Newco Mining Limited	Deleted
Nova Aqua Limited Partnership	Added
4M Panga Hotel Co. Limited	Deleted
5. Harbourfront Corporation	
Subsidiaries held at 50-99%	
Harbourpoint Development (Harbourfront Limited)	Deleted
6. Petro-Canada	
Subsidiaries held at 100%	
Petro-Canada Inc.	
Hibernia Management and Development Company Ltd. (25%)	Added
Jiffy Lube Inc. (49%)	Added
Petro-Canada (Myanmar) Inc. (100%)	Added
Petro-Canada (P.D.R.Y.) Inc. (100%)	Added
Roma Fuels Ltd. (49%)	Deleted
Superline Fuels Ltd. (49.9%)	Deleted
Thermo Page Inc. (49%)	Deleted
West Nova Inc. (50%)	Added
Westcoast Energy Inc. (36.5%)	
Foothills Pipe Lines (North B.C.) Ltd. (49%)	Deleted
Foothills Pipe Lines (Yukon) Ltd. (50%)	Deleted

Westcoast Energy Inc. (36.5%)—*Concluded*	
Inter B.C. Gas Transmission Ltd.	Deleted
Island & Coastal Natural Gas Co. Ltd.	Deleted
Westcoast Diversified Industries Ltd.	Deleted
West Coast Energy Pipelines Limited	Added
Pacific Coast Energy Corporation (50%)	Added
Westcoast Gas Inc.	Added
Westcoast Petroleum Ltd.	
Westcoast Production Co. (Africa) Ltd.	Added
Texas Pacific Oil Canada Ltd.	Deleted
292643 B.C. Ltd.	Added
Westcoast Transmission Company Limited	Added
Westcoast Transmission Holdings Ltd.	Deleted
159542 Canada Inc. (100%)	Deleted
159543 Canada Inc. (100%)	Deleted

3.2 Other Corporate Interests of Canada (as of March 31, 1990)

1. Joint and Mixed Enterprises

Air Canada (57%)	Deleted
Aurora Gold Limited	Added
Carolin Mines Ltd.	Added
International Datacasting Corporation	Added
Magnus Aerospace Corporation	Added
Société du parc industriel et portuaire Québec-sud (40%)	Added
Vercan Investments Inc.	Added

2. Other Entities

Agricultural Products Board	Deleted
Hockey Canada Inc.	Deleted
The Victoria Commonwealth Games Host Society	Added
The 1991 Canada Games Society (P.E.I.) Inc.	Added
The 1989 Jeux Canada Games Societé Saskatoon Inc.	Added

3. International Organizations

International Joint Commission	Deleted
Multilateral Investment Guarantee Agency	Added

4. INFORMATION ABOUT OTHER CORPORATE INTERESTS OF CANADA

4.1 JOINT (J) AND MIXED (M) ENTERPRISES [1]

Name of Corporation	Type	Head Office	Responsible Minister	Year Incorporated and Statutory Authority	Fiscal Year End/ Total Assets (A)/ Liabilities (L)	Auditor	Mandate/Government Objective in Participating	Federal Ownership Percentage*
Canarctic Shipping Company Limited	M	1005-350 Sparks Street Ottawa, Ontario K1R 7S8	Transport	1975, Canada Corporations Act	December 31/89 A = $19.6M L = $24.9M	Coopers & Lybrand	To provide superior Arctic shipping services, tanker operations, ship management services, and resource development support services to corporations, communities, and Government agencies operating in the polar regions of the world.	51%
Cooperative Energy Corporation	M	2000, 530-8 Avenue S.W. Calgary, Alta. T2P 3S8	Energy, Mines and Resources	1982, Cooperative Energy Act	December 31/89 A = $213M L = $100M	Deloitte & Touche	To operate an energy corporation whose primary activity is to explore and develop new Canadian oil and gas resources. To bring together a number of co-operative financial, agricultural, service and marketing institutions to participate in the Canadian oil and gas industry.	25%
Lower Churchill Development Corporation Limited	J	P.O. Box 12700 St.John's, Nfld. A1A 2X8	Energy, Mines and Resources	1978, Newfoundland Companies Act	December 31/89 A = $30.2M L = $42,000	Ernst & Young	To establish a basis for the development of all or part of the hydroelectric potential of the Lower Churchill basin and the line transmission of this energy to markets.	49%
National Sea Products Limited.	M	1959 Upper Water Street P.O. Box 2130 Halifax, N.S. B3J 3B7	Minister of State (Privatization and Regulatory Affairs)	Amalgamated in 1967, The Companies Act of Nova Scotia	December 31/89 A = $380.2M L = $299.1M	Ernst & Young	To harvest, procure, process and market fish and seafood around the world. Restructuring the Atlantic Fisheries.	19%
North Portage Development Corporation	J	1100-444 St. Mary Avenue Winnipeg, Man. R3C 3T1	Western Economic Diversification	1983, Manitoba Corporations Act	March 31/90 A = $77.6M L = $1.3M	Coopers & Lybrand	To foster the social and economic development of the North Portage area in the city of Winnipeg. Under the Special Recovery Capital Projects, stimulating economic recovery in Canada and Manitoba.	33.3%

Name of Corporation	Type	Head Office	Responsible Minister	Year Incorporated and Statutory Authority	Fiscal Year End/ Total Assets (A)/ Liabilities (L)	Auditor	Mandate/Government Objective in Participating	Federal Ownership Percentage*
NPM Nuclear Project Managers Canada Inc.	M	2020 University 22nd Floor Montreal, Quebec H3A 2A5	Energy, Mines and Resources	1982, Canada Business Corporations Act	March 31/87 (inactive)	N/A	Nuclear Project and Construction Management. To transfer this activity to the private sector.	13.3%
Société du parc industriel et portuaire Québec-Sud	J	10 rue Giguère Lévis-Lauzon, Québec G6V 1N6	Industry, Science and Technology	1974, Government of Québec, special Act	March 31 A = N/A L = N/A	Laliberté, Lanctot, Coopers & Lybrand	To encourage, within the boundaries of the town of Lauzon, the development of an industrial park and harbour facility suited to major industrial projects. To manage this industrial park and harbour facility. To acquire, sell or exchange land within the boundaries of the town of Lauzon.	40%
Telesat Canada	M	1601 Telesat Court Gloucester, Ontario K1B 5P4	Communications	1969, Telesat Canada Act	December 31/89 A = \$780.6M L = \$522.8M	Peat Marwick Thorne	To establish, on a commercial basis, satellite telecommunications systems for the provision of services in Canada and elsewhere.	50% [2]

* Federal Ownership Percentage calculation is based on number of votes.

[1] Excluded from this table are those corporate interests which the Superintendant of Bankruptcy has received under The Bankruptcy Act; they are listed in Table 3.2.

[2] Excludes 3.75% held by Canadian National Railway Company.

N/A = not applicable.

4.2 OTHER ENTITIES

Name of Corporation	Head Office	Responsible Minister	Year Incorporated and Statutory Authority	Fiscal Year End	Auditor	Mandate/Government Objective in Participating
Asia-Pacific Foundation of Canada	Suite 666 999 Canada Place Vancouver, B.C. V6C 3E1	External Affairs	1984, Asia-Pacific Foundation of Canada Act	March 31	Coopers & Lybrand	To develop closer ties between the peoples and institutions of Canada and the peoples and institutions of the Asia-Pacific region.
Army Benevolent Fund	Veterans Affairs Bldg 284 Wellington Street Ottawa, Ontario K1A 0P4	Veterans Affairs	1947, Army Benevolent Fund Act	March 31	Auditor General of Canada	To provide grants and other financial assistance to Second World War veterans, or their dependants. Profits from services operated for the benefit of the Canadian Army during the Second World War were allocated to the Army Benevolent Fund for disbursement.
Association for the Export of Canadian books	Suite 1101 1 Nicholas St. Ottawa, Ontario K1N 7B7	Communications	1972, Canada Corporations Act	March 31	Robert B. Shortly	To promote the export of Canadian books to the international market. To administer the export budget for the Department of Communications'Book Publishing Industry Development Program.
The Blue Water Bridge Authority	Bridge Street Point Edward, Ontario N7T 7H7	Transport	1964, Blue Water Bridge Authority Act	August 31	Deloitte & Touche	To hold, operate, maintain and repair the Canadian portion of the Blue Water Bridge which links Point Edward, Ontario and Port Huron, Michigan, USA, across the St. Clair River.
Board of Trustees of the Queen Elizabeth II Canadian Fund to Aid in Research on the Diseases of Children	Jeanne Mance Bldg. Tunney's Pasture Ottawa, Ontario K1A 0W9	Health and Welfare[1]	1959, Queen Elizabeth II Canadian Research Fund Act	March 31	Auditor General of Canada	The furthering of research into the diseases of children and the prevention and cure of such diseases.
Buffalo and Fort Erie Public Bridge Authority	The Peace Bridge Peace Bridge Plaza Buffalo, N.Y. 14213 U.S.A.	Finance	1934, Buffalo and Fort Erie Public Bridges Company Act	December 31	Arthur Young & Co.	To construct, maintain and operate a bridge across the Niagara River between Buffalo, New York and Fort Erie, Ontario.
Calgary Olympic Development Association	The Day Lodge Canada Olympic Park Beaufort Road N.W. SS#1 Calgary, Alta. T2M 4N3	Health and Welfare[2]	1979, Societies Act of Alberta	March 31	Price Waterhouse	To foster the development of Canadian athletics; to administer the Olympic Endowment Funds; and to operate and maintain the Canada Olympic Park.

Name of Corporation	Head Office	Responsible Minister	Year Incorporated and Statutory Authority	Fiscal Year End	Auditor	Mandate/Government Objective in Participating
Canada Grains Council	Suite 760 360 Main Street Winnipeg, Man. R3C 3Z3	Minister of State (Grains and Oilseeds)	1969, Canada Corporations Act	March 31	Peat Marwick Thorne	To encourage a coordinated effort in improving Canada's performance in world grain markets, to promote and conduct research, and to formulate recommendations and provide advice to government based on a concensus within the industry.
Canadian Centre on Substance Abuse	Suite 607 350 Sparks St. Ottawa, Ontario K1R 7S8	Health and Welfare	1988, Canadian Centre on Substance Abuse Act	March 31	McIntyre & McLarty	To promote increased awareness on the part of Canadians of matters relating to alcohol and drug abuse and their increased participation in the reduction of such abuse.
Canadian Fitness and Lifestyle Research Institute Inc.	Suite 200 47 Clarence Street Ottawa, Ontario K1N 9K1	Health and Welfare[2]	1980, Canada Corporations Act	March 31	Deloitte & Touche	To collect, interpret and disseminate information pertaining to the fitness levels of Canadians.
Canadian International Grains Institute	1000-303 Main St. Winnipeg, Man. R3C 3G7	Minister of State (Grains and Oilseeds)	1972, Canada Corporations Act	March 31	Deloitte & Touche	To promote, on a non-profit basis, for the general advantage of Canada, the development, maintenance and enlargement of Canadian and international markets for Canadian grains and oilseeds and the products thereof.
Canadian Livestock Records Corporation	2417 Holly Lane Ottawa, Ontario K1V 0M7	Agriculture	1988, Animal Pedigree Act	December 31	Ernst & Young	To perform services for and on behalf of members of the 50 Breed Associations. To ensure the maintenance of the General Stud and Herd Books.
Canadian Sport and Fitness Administration Centre Inc.	1600 James Naismith Ottawa, Ontario K1B 5N4	Health and Welfare[2]	1974, Canada Corporations Act	March 31	Peat Marwick Thorne	To assist organizations concerned with the development of Canadian sport and fitness by providing support services in the area of administration and promotion.
Coaching Association of Canada	1600 James Naismith Gloucester, Ontario K1B 5N4	Health and Welfare[2]	1970, Canada Corporations Act	March 31	Ouseley Guindon Haney	To improve the formal training of coaches through the National Coaching Certification Program and related programs.
Forest Engineering Research Institute of Canada	143 Place Frontenac Point Claire, Quebec H9R 4Z7	Forestry	1986, Canada Corporations Act	December 31	Charette, Fortier, Harvey, and Touche Ross	To conduct research and development aimed at improving the efficiency of operations relating to the harvesting and transportation of wood and the growing of trees.

Name of Corporation	Head Office	Responsible Minister	Year Incorporated and Statutory Authority	Fiscal Year End	Auditor	Mandate/Government Objective in Participating
FORINTEK Canada Corp.	6620 N.W. Marine Dr. Vancouver, B.C. V6T 1X2	Forestry	1979, Canada Corporations Act	March 31	Deloitte & Touche	To be the leading force in the technological advancement of the Canadian Wood Products Industry. To provide specialized advice on forest products to the federal government.
Fraser River Harbour Commission	Suite 505 713 Columbia Street New Westminster, B.C. V3M 1B2	Transport	1913, New Westminster Harbour Commissioners Act	December 31	Peat Marwick Thorne	To manage and control the harbour and the works and property therein under its jurisdiction.
The Hamilton Harbour Commissioners	605 James Street N. Hamilton, Ontario L8L 1K9	Transport	1912, Hamilton Harbour Commissioners Act	December 31	Pannell Kerr & McGillivray	To regulate and control navigation and all works and operations within the harbour.
International Centre for Human Rights and Democratic Development	63 rue de Brésoles 1st Floor Montreal, Quebec H2Y 1V7	External Affairs	1988, International Centre for Human Rights and Democratic Development Act	March 31	Auditor General of Canada	To promote and support cooperation between Canada and other countries for the purpose of developping and strengthening democratic and human rights institutions.
International Fisheries Commission Pension Society	c/o Treasury Board of Canada L'Esplanade Laurier West Tower 300 Laurier ave. Ottawa, Ontario K1A 0R5	Fisheries and Oceans	1957, Canada Corporations Act	September 30	Auditor General of Canada	To arrange for and administer the provision of pensions and insurance for the employees of any international fisheries commission, whose seat or headquarters is in any country established and maintained by Canada or the U.S.,or both.
Last Post Fund	Suite 921 685 Cathcart St. Montreal, Quebec H3B 1M7	Veterans Affairs	1921, Federal Charter	March 31	Audit Services Bureau	To ensure the provision of a dignified funeral and burial to eligible war veterans.
Maritime Forestry Complex Corp.	Hugh John Flemming Forestry Centre RR#10, Fredericton, N.B. E3B 6H6	Forestry	1980, Maritime Forestry Complex Corporation Act, New Brunswick	March 31	Peat Marwick Thorne	To establish a Maritime Provinces Regional Forestry Complex.

Name of Corporation	Head Office	Responsible Minister	Year Incorporated and Statutory Authority	Fiscal Year End	Auditor	Mandate/Government Objective in Participating
Medical Council of Canada	P.O. Box 8234 Ottawa, Ontario K1G 3H7	Health and Welfare	1912, Canada Medical Act	December 31	Peat Marwick Thorne	To promote and effect the establishment of a qualification in medicine, such that the holders thereof shall be acceptable and empowered to practice in all the provinces of Canada.
Nanaimo Harbour Commission	P.O. Box 131 104 Front Street Nanaimo, B.C. V9R 5R4	Transport	1960, Harbour Commissions Act	December 31	Bestwick and Partners	To manage and control the harbour and the works and property therein under its jurisdiction.
The Nature Trust of British Columbia	909-100 Park Royal South, West Vancouver, B.C. V7T 1A2	Prime Minister	1971, Canada Corporations Act	December 31	Peat Marwick Thorne	To purchase and preserve ecologically important parcels of land in B.C.
North Fraser Harbour Commission	2020 Airport Road Richmond, B.C. V7B 1C6	Transport	1913, North Fraser Harbour Commissioners Act	December 31	Dunwoody & Co.	To manage and control the harbour and the works and property therein under its jurisdiction.
Northern Native Fishing Corporation	P.O. Box 876 4-214 Third Ave. W. Prince Rupert, B.C. V8J 3Y1	Indian Affairs and Northern Development	1982, British Columbia Companies Act	January 31	Arthur Andersen & Co.	To preserve a fleet of fishing vessels and related licences for the long-term benefit of native fishermen, and to foster their development as independent business operators.
NWT Co-operative Business Development Fund	P.O. Box 1565 4905-48th St. Yellowknife, NWT X1A 2P5	Indian Affairs and Northern Development	1986, Canada Co-operative Association Act	December 31	Price Waterhouse	To provide financial services to the native owned co-operatives of the NWT. To stabilize the co-operative movement in the NWT.
Oshawa Harbour Commission	1050 Farewell Ave. Oshawa, Ontario L1H 6N6	Transport	1961, Oshawa Harbour Commissioners Act	December 31	Deloitte & Touche	To manage and control the harbour and the works and property therein under its jurisdiction.
PARTICIPaction	40 Dundas St. West Suite 220 Toronto, Ontario M5G 2C2	Health and Welfare[2]	1971, Canada Corporations Act	March 31	Peat Marwick Thorne	To inform Canadians about the positive benefits of physical fitness and to motivate them to adopt healthy, physically active lifestyles.

Name of Corporation	Head Office	Responsible Minister	Year Incorporated and Statutory Authority	Fiscal Year End	Auditor	Mandate/Government Objective in Participating
POS Pilot Plant Corporation	118 Veterinary Rd. Saskatoon, Sask. S7N 2R4	Minister of State (Grains and Oilseeds)	1973, Canada Corporations Act	March 31	Peat Marwick Thorne	To increase processing of grains and oilseeds into marketable products. To encourage and promote the development and increase of value-added agriculturally based products for domestic and export consumption.
Port Alberni Harbour Commission	P.O. Box 99 2750 Harbour Road Port Alberni, B.C. V9Y 7M6	Transport	1947, Harbour Commissions Act	December 31	Newman Hill Duncan & Lacoursière	To manage and control the harbour and the works and property therein under its jurisdiction.
Pulp and Paper Research Institute of Canada	570 St. John's Blvd. Pointe Claire, Quebec H9R 3J9	Forestry	1950, Part II Canada Corporations Act	December 31	Touche, Ross	To supplement and complement the technical effort of individual firms thus providing its members with basic research data and improved technology to help them better their competitive position in world markets. To provide the Canadian Pulp and Paper Industry with a focal point of research.
Roosevelt Campobello International Park Commission	P.O. Box 9 Welshpool, Campobello Is, N.B. E0G 3H0	External Affairs	1964, The Roosevelt Campobello International Park Commission Act	December 31	Foster, Carpenter & Black	To administer as a memorial the Roosevelt Campobello International Park.
Saint John Harbour Bridge Authority	P.O. Box 6176 Station A Saint John, N.B. E2L 4R6	Finance	1962, Statute passed by Province of N.B.	March 31	Deloitte & Touche	To construct a bridge across the Harbour of Saint John, and to enter into agreement with federal, provincial and municipal governments, persons or corporations respecting the financing and construction of such bridge.
Terry Fox Humanitarian Award Inc.	711-151 Sparks St. Ottawa, Ontario K1P 5E3	Health and Welfare[2]	1982, Canada Corporations Act	March 31	Deloitte & Touche	To encourage Canadian youth to seek high ideals as represented by Terry Fox by granting commemorative scholarships for the pursuit of higher education.
Thunder Bay Harbour Commission	P.O. Box 2266 Thunder Bay, Ontario P7B 5E8	Transport	1958, Lakehead Harbour Commissioners Act	December 31	Ernst & Young	To manage and control the harbour and the works and property therein under its jurisdiction.
The Toronto Harbour Commissioners	60 Harbour Street Toronto, Ontario M5J 1B7	Transport	1911, Toronto Harbour Commissioners Act	March 31	Peat Marwick Thorne	To manage and control the harbour and the works and property therein under its jurisdiction.

Name of Corporation	Head Office	Responsible Minister	Year Incorporated and Statutory Authority	Fiscal Year End	Auditor	Mandate/Government Objective in Participating
The Vanier Institute of the Family	120 Holland Ave. Ottawa, Ontario R1X 0X6	Prime Minister	1965, Canada Business Corporations Act	December 31	Coopers & Lybrand	To promote the spiritual and material well-being of Canadian families and to study their social, physical, mental, moral and financial environment and characteristics.
The Victoria Commonwealth Games Host Society	Suite 1210 345 Quebec Street Victoria, B.C. V8W 3M8	Health and Welfare[2]	1988, British Columbia Society Act	March 31	Peat Marwick Thorne	To organize and stage the XVth Commonwealth Games.
Western Grains Research Foundation	118 Veterinary Rd. Saskatoon, Sask. S7N 2R4	Agriculture	1981, Canada Corporations Act	December 31	Coopers & Lybrand	To help improve the productivity and profitability of grains and oilseeds production in the prairie provinces.
Windsor Harbour Commission	500 Riverside Drive W. Windsor, Ontario N9A 5K6	Transport	1957, Windsor Harbour Commissioners Act	December 31	Peat Marwick Thorne	To manage and control the harbour and the works and property therein under its jurisdiction.
The 1991 Canada Games Society (P.E.I) Inc.	199 Grafton St. Charlottetown, P.E.I. C1A 1L2	Health and Welfare[2]	1987, Canada Corporations Act	March 31	N/A	To plan, organize and stage the 1991 Canada Games.
The 1989 Jeux Canada Games Society Saskatoon Inc.	347 Second Avenue S. Saskatoon, Sask S7K 1L2	Health and Welfare[2]	1985 Non-Profit Corporations Act	March 31	Deloitte & Touche	To plan, organize and stage the 1989 Canada Games.

1 The directors of the Board are "appointed by Her Majesty by Commission under the Great Seal".
2 Directors are appointed by the Minister of State (Fitness and Amateur Sport) who has received delegated authority from the Minister of Health and Welfare.

4.3 INTERNATIONAL ORGANIZATIONS

Name of Corporation	Head Office	Responsible Minister	Year Incorporated and Statutory Authority	Fiscal Year End	Auditor	Mandate/Government Objective in Participating	Federal Ownership Percentage*
African Development Bank	01 P.O. Box 1387 Abidjan 01 Ivory Coast Africa	External Affairs	1963, Agreement signed by member countries	December 31	Akintola Williams & Hassan Inc. and Deloitte & Touche.	To contribute to the economic development and social advancement of the member countries, individually and collectively. To contribute to the achievement of Canada's development assistance, foreign policy and trade objectives.	3.1%
African Development Fund	01 P.O. Box 1387 Abidjan 01 Ivory Coast Africa	External Affairs	1972, Agreement signed by member countries	December 31	Akintola Williams & Hassan Inc. and Deloitte & Touche	To assist the African Development Bank in making an increasingly effective contribution to the economic and social development of the Bank members. To contribute to the achievement of Canada's development assistance, foreign policy and trade objectives.	N/A
Asian Development Bank	P.O. Box 789 1099 Manila, The Philippines	External Affairs	1965, Agreement signed by member countries	December 31	Deloitte & Touche	To lend funds, promote investments and provide technical assistance to developing countries, and generally to foster economic growth in the Asian Region. To contribute to the achievement of Canada's development assistance, foreign policy and trade objectives.	5.7%
Caribbean Development Bank	P.O. Box 408 Wildey, St. Michael Bridgetown, Barbados	External Affairs	1969, Agreement signed by member countries	December 31	Price Waterhouse	To contribute to the harmonious economic growth and development of the member countries, and integration among them, having special and urgent regard to the needs of the less developed members of the region. To contribute to the achievement of Canada's development assistance, foreign policy and trade objectives.	10.4%
Commonwealth War Graves Commission	2 Marlow Road Maidenhead, Berks. U.K. S16 7DX	Veterans Affairs	1917, Royal Charter	March 31	Deloitte, Haskins & Sells	To mark and maintain graves and memorials and keep records of the members of the Forces of the Commonwealth who died in the two World Wars.	N/A
Inter American Development Bank	1300 New York Ave. Washington, D.C. U.S.A. 20577	External Affairs	1959, Agreement signed by member countries	December 31	Price Waterhouse	To contribute to the acceleration of the process of economic development of the member countries, individually and collectively. To contribute to the achievement of Canada's development assistance, foreign policy and trade objectives.	4.4%
International Bank for Reconstruction and Development	1818 H Street, N.W. Washington, D.C. U.S.A. 20433	Finance	1945, Bretton Woods Agreement Act	June 30	Price Waterhouse	To assist in the reconstruction and development of territories of member countries.	3.0%

Name of Corporation	Head Office	Responsible Minister	Year Incorporated and Statutory Authority	Fiscal Year End	Auditor	Mandate/Government Objective in Participating	Federal Ownership Percentage*
International Boundary Commission	615 Booth Street Room 130 Ottawa, Ontario K1A 0E9	External Affairs	1908, Treaty 1960, International Boundary Commission Act	March 31	Auditor General of Canada	To maintain the demarcation and cartographic representation of the land and water boundary between Canada and the United States, and to regulate all construction within three metres of the boundary line.	N/A
International Development Association	1818 H Street, N.W. Washington, D.C. U.S.A. 20433	Finance	1960, Articles of Agreement; 1960, International Development Association Act	June 30	Price Waterhouse	To promote economic development, increase productivity and thus raise standards of living in the less-developed areas of the world.	3.2%
International Finance Corporation	1818 H Street, N.W. Washington, D.C. U.S.A. 20433	Finance	1956, Articles of Agreement; Vote 731, Appropriation Act No.6, 1956	June 30	Price Waterhouse	To further economic development by encouraging the growth of productive enterprise in member countries, supplementing the activities of the International Bank for Reconstruction and Development.	4.3%
International Fund for Agricultural Development	107 Via Del Serafico 00142 Rome, Italy	External Affairs	1976, International Agreement	December 31	Price Waterhouse	To mobilize additional resources to be made available on concessional terms for agricultural development in member states. To contribute to the achievement of Canada's development assistance, foreign policy and trade objectives.	3.1%
International Monetary Fund	700 19th St., N.W. Washington, D.C. U.S.A. 20431	Finance	1945, Agreement Signed by Member Countries	April 30	External Audit Committee	Established to promote economic welfare by encouraging the expansion of trade, the maintenance of orderly exchange arrangements, and the reduction of balance of payments.	3.2%
Multilateral Investment Guarantee Agency	1818 H Street N.W Washington, D.C. USA 20433	Finance	1988 Bretton Woods and Related Agreement Act	June 30	Price Waterhouse	To encourage the flow of investments for productive purposes among member countries, thus supplementing the activities of the International Bank for Reconstruction and Development, the International Finance Corporation and other international development finance institutions.	3.3%

* Federal Ownership Percentage calculation is based on number of votes.
N/A = not applicable.

PART III

AUDITED FINANCIAL STATEMENTS FOR EACH PARENT CROWN CORPORATION

AUDITED FINANCIAL STATEMENTS FOR EACH PARENT CROWN CORPORATION

This section contains the audited financial statements for each parent Crown corporation.

ATLANTIC PILOTAGE AUTHORITY

AUDITOR'S REPORT

TO THE MINISTER OF TRANSPORT

I have examined the balance sheet of Atlantic Pilotage Authority as at December 31, 1989 and the statements of operations, contributed capital, deficit, and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Authority as at December 31, 1989 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Authority that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with Part X of the Financial Administration Act and regulations, the Pilotage Act and regulations, and the by-laws of the Authority.

Raymond Dubois, F.C.A.
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
February 14, 1990

BALANCE SHEET AS AT DECEMBER 31, 1989

ASSETS	1989	1988
	$	$
Current		
Cash	58,295	53,143
Accounts receivable	903,341	744,439
Prepaid expenses	22,430	15,246
	984,066	812,828
Fixed, at cost (Note 4)	2,232,653	1,883,785
Less: accumulated depreciation	912,096	786,984
	1,320,557	1,096,801
	2,304,623	1,909,629

LIABILITIES	1989	1988
	$	$
Current		
Accounts payable and accrued liabilities	564,166	489,896
Obligation under capital lease agreements (Note 5)	45,796	99,420
Current portion of accrued employee termination benefits	83,846	65,423
	693,808	654,739
Long-term		
Accrued employee termination benefits	518,492	618,591
Obligation under capital lease agreements (Note 5)	50,084	95,880
	568,576	714,471
	1,262,384	1,369,210
Commitments and contingency (Note 8)		
CONTRIBUTED CAPITAL AND DEFICIT		
Contributed capital	2,073,580	1,606,516
Deficit	(1,031,341)	(1,066,097)
	1,042,239	540,419
	2,304,623	1,909,629

Approved by the Authority:

C. R. WORTHINGTON
Chairman

HORTON WINTERS
Member

M. R. McGRATH
Treasurer

ATLANTIC PILOTAGE AUTHORITY—*Continued*

STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 1989

	1989	1988
	$	$
Income		
Pilotage charges	7,240,494	7,065,895
Interest and other income	46,789	37,755
	7,287,283	7,103,650
Expenses		
Pilots' fees, salaries and benefits	3,457,746	3,337,750
Pilot boats, operating costs	2,336,943	2,279,776
Staff salaries and benefits	434,424	394,004
Transportation and travel	391,593	357,891
Professional and special services	174,116	251,673
Depreciation	127,678	102,623
Utilities, materials and supplies	120,773	84,764
Rentals	115,620	119,498
Communications	79,796	81,619
Interest on capital leases	13,838	22,015
Sundry		16,650
	7,252,527	7,048,263
Net profit for the year	34,756	55,387

STATEMENT OF CONTRIBUTED CAPITAL FOR THE YEAR ENDED DECEMBER 31, 1989

	1989	1988
	$	$
Balance, beginning of the year	1,606,516	1,271,810
Parliamentary appropriation to finance (Note 3)		
Additions to fixed assets	367,644	243,132
Principal payments on capital leases	99,420	91,574
	467,064	334,706
Balance, end of the year	2,073,580	1,606,516

STATEMENT OF DEFICIT FOR THE YEAR ENDED DECEMBER 31, 1989

	1989	1988
	$	$
Balance, beginning of the year	1,066,097	1,230,789
Less: net profit for the year	34,756	55,387
	1,031,341	1,175,402
Parliamentary appropriation to finance cash operating loss		109,305
Balance, end of the year	1,031,341	1,066,097

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED DECEMBER 31, 1989

	1989	1988
	$	$
Operating activities		
Cash provided by (used for) operations		
Net profit for the year	34,756	55,387
Items not requiring cash		
Depreciation	127,678	102,623
Increase in accrued employee termination benefits	76,918	70,495
	239,352	228,505
Cash used for non cash working capital	(91,816)	(45,190)
Employee termination benefits payments	(158,594)	(110,630)
Cash provided by (used for) operating activities	(11,058)	72,685
Financing activities		
Parliamentary appropriation to finance (Note 3)		
Additions to fixed assets	367,644	243,132
Principal payments on capital leases	99,420	91,574
Cash operating loss		109,305
	467,064	444,011
Principal portion of capital lease payments	(99,420)	(91,574)
Decrease in bank indebtedness		(185,970)
Cash provided by financing activities	367,644	166,467
Investing activities		
Net additions to fixed assets	(351,434)	(186,359)
Cash used for investing activities	(351,434)	(186,359)
Increase in cash during the year	5,152	52,793
Cash, beginning of the year	53,143	350
Cash, end of the year	58,295	53,143

ATLANTIC PILOTAGE AUTHORITY—*Continued*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1989

1. Objectives and activities

The Atlantic Pilotage Authority (the "Authority") was established on February 1, 1972 pursuant to the Pilotage Act. The objects of the Authority are to establish, operate, maintain and administer a safe and efficient pilotage service within designated Canadian waters. The Act provides that pilotage tariffs shall be fair, reasonable and sufficient, together with any revenue from other sources, to permit the Authority to operate on a self-sustaining financial basis.

The Authority is a Crown corporation listed in Schedule III, Part I of the Financial Administration Act and is not subject to income tax under the provisions of the Income Tax Act.

2. Significant accounting policies

(a) Parliamentary appropriation

When revenues are not sufficient to permit the Authority to operate on a self-sustaining financial basis, the Authority requests parliamentary appropriations to recover cash operating losses. These appropriations are recorded in the accounts when approved by Parliament and are reflected in the statement of deficit.

Parliamentary appropriations are also requested when the cash operating profits are not sufficient to provide for the purchase of capital assets and the principal portion of payments under capital lease agreements. These appropriations are recorded in the accounts when approved by Parliament and are reflected in the statement of contributed capital.

(b) Depreciation

Depreciation of fixed assets is calculated on a straight-line basis and is based on the estimated useful life of the assets as follows:

Pilot boats	14 to 25 years
Furniture and equipment	5 to 10 years

(c) Capital leases

The Authority leases pilot boats from Canada under long term financing leases. Under the terms of the lease agreements, the Authority assumes the rights and obligations of ownership. As a result, the leases are treated as purchases and the principal portion of lease payments is capitalized and depreciated over the estimated useful lives of the boats. The corresponding liability is reduced by the principal portion of lease payments and the interest portion is expensed in the year to which it relates.

(d) Pension plan

All employees are covered by the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the Plan are required from both the employee and the Authority. Contributions with respect to current service are expensed in the current period. Contributions with respect to past service benefits are expensed when paid.

(e) Employee termination benefits

Employees are entitled to specified benefits on termination as provided for under labour contracts and conditions of employment. The liability for these benefits is recorded as they accrue to the employees.

3. Parliamentary appropriation

On March 23, 1989, the Government of Canada provided $467,064 through Special Governor General's warrants, for the Authority's 1988 capital expenditures, 1989 principal payments on capital leases and the cost of a pilot boat purchased in March 1989.

4. Fixed assets

	1989			1988
	Cost	Accumulated depreciation	Net	Net
	$	$	$	$
Land	450		450	450
Pilot boats	1,572,425	533,950	1,038,475	469,542
Pilot boats under capital lease	448,573	244,592	203,981	537,526
Furniture and equipment	211,205	133,554	77,651	89,283
	2,232,653	912,096	1,320,557	1,096,801

5. Capital lease agreements

The Authority leases pilot boats under long term financing leases. The remaining payments under the leases are as follows:

	1989	1988
	$	$
9 3/8% lease agreement, due April 1991, payable in blended annual payments of $54,785	109,571	164,355
8% lease agreement, due October 1989, payable in blended annual payments of $31,077		31,077
8% lease agreement, due November 1989, payable in blended annual payments of $31,077		31,077
Total lease payments	109,571	226,509
Less: amount representing interest	13,691	31,209
Principal amount of capital leases	95,880	195,300
Less: current portion	45,796	99,420
Principal amount of capital lease agreements net of current portion	50,084	95,880

The following is a schedule of lease payments under the capital lease expiring in 1991:

Year ending December 31	$
1990	54,785
1991	54,786
Total lease payments	109,571

Upon maturity of the lease, the Authority has the option to purchase the boat for $1. During 1989, two leases matured and the Authority exercised its option to purchase.

ATLANTIC PILOTAGE AUTHORITY—*Concluded*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1989—*Concluded*

6. Pension plan

Under provisions of the Pilotage Act, pilots who became employees of the Authority were entitled to count service prior to becoming an employee as pensionable under the Public Service Superannuation Act. For pilots who elected to purchase pension benefits with respect to past service, the Authority is required to match the employee contribution. Total past service pension expense was $6,821 in 1989 ($10,662 in 1988). The estimated unfunded past service pension contribution with respect to these employees was approximately $54,000 at December 31, 1989 ($74,000 at December 31, 1988) and will be funded over the remaining years of service of the pilots, or the terms of purchase, whichever is the lesser.

7. Related party transactions

The Authority receives services from government departments and these are provided without charge. These include pilot dispatching services by the Canadian Coast Guard, through its Vessel Traffic Service Centres in Nova Scotia, New Brunswick and Newfoundland. The cost of these services is not recorded in the accounts of the Authority.

8. Commitments and contingency

(a) The Authority has entered into long term contracts for pilot boat services requiring the following minimum annual payments:

	$
1990	702,097
1991	530,246
	1,232,343

(b) In December 1987, a lawsuit was filed against the Authority relating to a contract for pilot boat services. In management's opinion, the outcome of this action cannot be determined at this time and no provision has been made in the financial statements.

ATOMIC ENERGY OF CANADA LIMITED

MANAGEMENT RESPONSIBILITY

The financial statements and all other information presented in this Annual Report are the responsibility of the management and the Board of Directors of the corporation. The financial statements have been prepared in accordance with generally accepted accounting principles and include estimates based on the experience and judgement of management.

The corporation maintains books of account, financial and management control, and information systems, together with management practices designed to provide reasonable assurance that reliable and accurate financial information is available on a timely basis, that assets are safeguarded and controlled, that resources are managed economically and efficiently in the attainment of corporate objectives, and that operations are carried out effectively. These systems and practices are also designed to provide reasonable assurance that transactions are in accordance with Part X of the Financial Administration Act and its regulations, as well as the Canada Business Corporations Act, the articles, and the bylaws and policies of the corporation. The corporation has met all reporting requirements established by the Financial Administration Act, including submission of a corporate plan, an operating budget, a capital budget and this Annual Report.

The corporation's internal auditor has the responsibility for assessing the management systems and practices of the corporation. The Auditor General of Canada conducts an independent examination of the financial statements of the corporation and reports on his examination to the Minister of Energy, Mines and Resources.

The Board of Directors' Audit Committee, composed of directors who are not employees of the corporation, reviews and advises the Board on the financial statements, the Auditor General's reports thereto and the plans and reports related to special examinations, and oversees the activities of internal audit. The Audit Committee meets with management, the internal auditor and the Auditor General on a regular basis.

Stanley R. Hatcher
Acting President and Chief Executive Officer

David G. Cuthbertson
Vice-President, Finance and Chief Financial Officer

AUDITOR'S REPORT

TO THE MINISTER OF ENERGY, MINES AND RESOURCES

I have examined the balance sheet of Atomic Energy of Canada Limited as at March 31, 1990 and the statements of income, contributed capital, retained earnings and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the corporation as at March 31, 1990 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the corporation that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with Part X of the Financial Administration Act and regulations, the Canada Business Corporations Act, the articles and the bylaws of the Corporation.

Kenneth M. Dye, F.C.A.
Auditor General of Canada

Ottawa, Canada
May 4, 1990

BALANCE SHEET AS AT MARCH 31, 1990
(in thousands of dollars)

ASSETS	1990	1989
Current		
Cash and short-term deposits	46,669	86,588
Due from Government of Canada	40,253	
Accounts receivable	154,387	147,776
Receivable from CDIC (Note 3)	114,607	114,607
Inventories (Note 4)	3,256	3,727
	359,172	352,698
Heavy water inventory (Note 4)	8,096	8,586
Long-term receivables (Note 5)	498,310	541,343
Investment (Note 6)	76,164	81,704
Property, plant and equipment (Note 7)	10,004	9,576
	951,746	993,907

LIABILITIES	1990	1989
Current		
Accounts payable and accrued liabilities	113,877	112,592
Current portion of long-term debt	33,871	31,346
	147,748	143,938
Deferred revenue	20,394	31,408
Accrued employee termination benefits	43,702	39,865
Long-term debt (Note 8)	529,114	562,986
	740,958	778,197
SHAREHOLDER'S EQUITY		
Capital stock		
Authorized—75,000 common shares		
Issued—54,000 common shares	15,000	15,000
Contributed capital	79,228	73,907
Retained earnings	116,560	126,803
	210,788	215,710
	951,746	993,907

Approved by the Board:

MARNIE PAIKIN
Director

STANLEY R. HATCHER
Director

ATOMIC ENERGY OF CANADA LIMITED—*Continued*

STATEMENT OF INCOME
FOR THE YEAR ENDED MARCH 31, 1990
(in thousands of dollars)

	1990	1989
Nuclear power operations		
Revenue		
Nuclear supply and services	99,383	88,922
Interest on long-term receivables	58,737	59,664
Interest on short-term deposits	10,642	9,137
	168,762	157,723
Costs and expenses		
Cost of supply and services	71,957	41,341
Product development	32,920	33,023
Less: parliamentary appropriations (Note 2)	(29,200)	(28,000)
Marketing and administration	31,245	22,287
Interest on long-term debt	52,071	53,952
	158,993	122,603
Operating profit	9,769	35,120
Research and development operations		
Expenses	256,064	248,216
Less: commercial revenue	34,476	32,258
cost recovery	47,854	49,808
parliamentary appropriations (Note 2)	153,722	146,879
Net expense	20,012	19,271
Decommissioning activities		
Expenses	15,954	18,632
Less: parliamentary appropriations (Note 2)	12,023	10,309
recovery from asset sales	3,931	1,598
Net expense		6,725
Income (loss) from continuing operations	(10,243)	9,124
Income from subsidiaries divested (Note 3)		14,109
Net income (loss)	(10,243)	23,233

STATEMENT OF CONTRIBUTED CAPITAL
FOR THE YEAR ENDED MARCH 31, 1990
(in thousands of dollars)

	1990	1989
Balance at beginning of the year	73,907	72,418
Parliamentary appropriations (Note 2)		
Loan principal repayment	1,621	1,489
Payment in respect of subsidiaries divested	3,700	
	5,321	1,489
Balance at end of the year	79,228	73,907

STATEMENT OF RETAINED EARNINGS
FOR THE YEAR ENDED MARCH 31, 1990
(in thousands of dollars)

	1990	1989
Balance at beginning of the year	126,803	119,970
Net income (loss)	(10,243)	23,233
Dividend		(16,400)
Balance at end of the year	116,560	126,803

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1990
(in thousands of dollars)

	1990	1989
Operating activities		
Net income (loss)	(10,243)	23,233
Depreciation and amortization	7,426	6,211
	(2,817)	29,444
Decrease (increase) in operating working capital		
Due from Government of Canada	(40,253)	
Other	3,320	17,912
	(36,933)	17,912
Cash from (used in) operations	(39,750)	47,356
Investing activities		
Divestment of subsidiaries (Note 3)		114,607
Receivable from CDIC (Note 3)		(114,607)
Acquisition of commercial property, plant and equipment, net of disposal	(2,314)	(3,569)
Cash invested	(2,314)	(3,569)
Financing activities		
Repayment of long-term debt	(31,347)	(28,214)
Proceeds from long-term notes receivable	28,171	25,976
Contributed capital from parliamentary appropriations	5,321	1,489
Dividend		(16,400)
Cash from (used in) financing	2,145	(17,149)
Increase (decrease) in cash and short-term deposits	(39,919)	26,638
Cash and short-term deposits at beginning of the year	86,588	59,950
Cash and short-term deposits at end of the year	46,669	86,588

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with generally accepted accounting principles applied on a consistent basis. The most significant accounting policies are summarized below:

Foreign currency translation

Transactions denominated in a foreign currency are translated into Canadian dollars at the exchange rate in effect at the date of the transaction, except those covered by forward exchange contracts, where the rate established by the terms of the contract is used. Monetary assets and liabilities outstanding at the balance sheet date are adjusted to reflect the exchange rate in effect at that date. Exchange gains and losses arising from the translation of foreign currencies are included in income.

Inventories

Heavy water is valued at the lower of average cost, less related parliamentary appropriations, and net realizable value. Maintenance and general supplies are valued at cost.

Investment

The corporation has an investment in Pickering reactor Units 1 and 2. This is recorded at cost and is being amortized on a straight-line basis over the remaining term of the related investment agreement.

Property, plant and equipment

Property, plant and equipment of a research and development nature are recorded at cost and expensed in the year of acquisition.

ATOMIC ENERGY OF CANADA LIMITED—*Continued*

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—*Concluded*

Other property, plant and equipment are recorded at cost and depreciated on a straight-line basis over the estimated useful life of the asset as follows:

Machinery and equipment	3 to 20 years
Buildings	20 to 50 years

Costs of decommissioning nuclear facilities are expensed when incurred.

Long-term contracts

Revenue and costs on long-term contracts are accounted for by the percentage of completion method, applied on a conservative basis to recognize the absence of certainty on these contracts. Full provision is made for all estimated losses to completion of contracts in progress.

Parliamentary appropriations

The Government of Canada, through parliamentary appropriations, funds certain operations of the corporation as outlined in Note 2. The parliamentary appropriations are offset against the applicable expenditures except for the portion used to discharge certain loan principal which is recognized as an increase in contributed capital.

Pension plan

Employees are covered by the Public Service Superannuation Plan administered by the Government of Canada. The corporation's contributions to the Plan are limited to an amount equal to the employees' contributions on account of current service. These contributions represent the total pension obligations of the corporation and are charged to income on a current basis.

Employee termination benefits

Employees are entitled to specific termination benefits as provided for under collective agreements and conditions of employment. The liability for these benefits is charged to income as benefits accrue to the employees. The accumulated liability is actuarially determined on a periodic basis.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 1990

1. Accounting policies

The summary of significant accounting policies is an integral part of these financial statements.

2. Parliamentary appropriations

Parliamentary appropriations were used during the year for the following purposes:

	1990	1989
	(in thousands of dollars)	
Research and development operations	153,722	146,879
CANDU 3 pre-project costs	29,200	44,400
Decommissioning activities	12,023	10,309
Heavy water plant loan principal	1,621	1,489
Subsidiaries divested	9,074	
	205,640	203,077

Parliamentary appropriations in respect of subsidiaries divested were to reimburse the corporation for expenditures subsequent to the divestment and to compensate the corporation for certain cash flows foregone as a result of the divestment. The latter, amounting to $3.7 million, was credited to contributed capital.

3. Subsidiaries divested

In March 1988, the Government of Canada announced its intention to privatize the corporation's radiation equipment and isotope businesses conducted by the Radiochemical Company and the Medical Products Division, both operating divisions of the corporation. Subsequently, these divisions were incorporated under the names Nordion International Inc. (Nordion) and Theratronics International Limited (Theratronics), respectively. On September 30, 1988, the corporation sold its shares in Nordion and Theratronics to Canada Development Investment Corporation (CDIC) for eventual privatization. Under the terms of the agreement with CDIC, the corporation will receive full proceeds realized upon the privatization of Nordion and Theratronics, less CDIC's expenses associated therewith. While the corporation anticipates a gain on sale, the amount cannot reasonably be determined at this time. The receivable from CDIC of $114.6 million represents the September 30, 1988, net book value of the businesses sold.

Income from Nordion and Theratronics for the six months ended September 30, 1988, has been reflected in the statement of income for the year ended March 31, 1989, as income from subsidiaries divested. Revenues of Nordion and Theratronics were $70 million for that six-month period.

4. Inventories

	1990	1989
	(in thousands of dollars)	
Current		
Maintenance and general supplies	3,256	3,727
Heavy water	544,799	548,964
Less: parliamentary appropriations	536,703	540,378
	8,096	8,586

Parliamentary appropriations for heavy water are repayable to the government, together with interest thereon, to the extent of future revenue from sales of related heavy water. Accrued liabilities as at March 31, 1990, include $2.9 million in respect of net proceeds from sales during the year (1989—$4.9 million).

5. Long-term receivables

	1990	1989
	(in thousands of dollars)	
Notes receivable from provincial utilities in respect of the financing of nuclear facilities (refer to Note 8 for related debt)	522,118	550,289
Contract receivables maturing through 1998	39,091	35,719
Mortgages receivable and other	3,001	3,462
	564,210	589,470
Current portion	65,900	48,127
	498,310	541,343

ATOMIC ENERGY OF CANADA LIMITED—*Continued*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1990—*Continued*

6. Investment

The corporation, Ontario Hydro and the Province of Ontario are parties to an agreement for the construction and operation of Units 1 and 2 of the Pickering "A" nuclear generating station, with ownership of these Units being vested in Ontario Hydro. Under the agreement, the corporation is entitled to receive payments until the year 2003 based on the net operational advantage of the power generated by Pickering Units 1 and 2 as compared with the coal-fired Lambton Units 1 and 2. Due primarily to costs incurred during the 1984-88 shutdown of the Pickering units for pressure tube replacement, no payment was received this year. The timing of the resumption of payments under the agreement remains uncertain since it depends on the future operating costs, including the cost of coal, of the Lambton units.

The charge against 1990 earnings for amortization of the investment in Pickering was \$5.5 million (1989—\$2.3 million).

7. Property, plant and equipment

	1990			1989
	Cost	Funding and accumulated depreciation	Net	Net
		(in thousands of dollars)		
Nuclear power operations				
Land and improvements	1,175	568	607	604
Buildings	9,860	9,739	121	97
Machinery and equipment	21,022	15,233	5,789	4,689
	32,057	25,540	6,517	5,390
Research and development operations				
Land and improvements	11,537	11,537		
Buildings	80,451	78,332	2,119	2,581
Reactors and equipment	235,307	233,939	1,368	1,605
Construction in progress	62,302	62,302		
	389,597	386,110	3,487	4,186
	421,654	411,650	10,004	9,576

Depreciation of property, plant and equipment for the year ended March 31, 1990 amounted to \$1.9 million (1989—\$3.1 million).

Research and development property, plant and equipment expensed during the year amounted to \$13.0 million (1989—\$14.1 million).

8. Long-term debt

	1990	1989
	(in thousands of dollars)	
Loans from Government of Canada		
To finance provincial utility nuclear facilities, maturing through 2008 at fixed interest rates varying from 6.687% to 9.706% (refer to Note 5 for related receivables)	521,700	549,774
To finance leased heavy water and other assets, maturing through 2008 at fixed interest rates varying from 5.0% to 12.434%	22,316	24,002
Loans from third parties		
To finance the purchase of the Glace Bay heavy water plant, maturing through 1998 at an imputed interest rate of 8.875%	18,969	20,556
	562,985	594,332
Current portion	33,871	31,346
	529,114	562,986

Loan repayments required over succeeding years are as follows (millions of dollars): 1991—\$33.9; 1992—\$36.6; 1993—\$33.1; 1994—\$16.1; 1995—\$17.3; and subsequent to 1995—\$426.0.

9. Decommissioning activities

Decommissioning activities consist of placing and maintaining prototype reactors in a safe-storage mode as the initial stage of decommissioning, as well as the activities associated with closure and protection of heavy water plants. Funding for these activities is provided through parliamentary appropriations and proceeds from related asset sales.

Prototype reactors

The decommissioning of nuclear research and prototype facilities is an integral part of the nuclear program. Currently, the Gentilly-1, Douglas Point and Nuclear Power Demonstration (NPD) prototype reactors are in a safe-storage mode. The WR-1 reactor was shut down in 1985 and its decommissioning commenced during the year. The estimated cost of the initial stage of decommissioning of WR-1 is \$20 million.

Future net costs related to decommissioning nuclear facilities beyond the safe-storage mode cannot be quantified at this time due to uncertainty as to the nature and timing of the disposal alternative that will ultimately be adopted in each case. In accordance with the corporation's accounting policy, any such costs will be expensed when incurred.

All reactors in the decommissioning stage have been fully written off. The original gross cost of these reactors is \$216 million, including \$31 million for capitalized heavy water.

Heavy water plants

The corporation has closed down the three heavy water plants located in Glace Bay and Port Hawkesbury in Cape Breton, Nova Scotia and in LaPrade, Quebec. These assets, which have been fully written off, had an original gross cost of \$803 million.

ATOMIC ENERGY OF CANADA LIMITED—*Concluded*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1990—*Concluded*

10. Related party transactions

In addition to the transactions disclosed elsewhere in these financial statements, the corporation had the following transactions with the Government of Canada:

	1990	1989
	(in thousands of dollars)	
Repayment of loans and interest	88,790	85,005
Payments to the Public Service Superannuation Plan	11,744	11,586

In the normal course of business, the corporation also enters into various transactions with the Government of Canada, its agencies and other Crown corporations.

11. Supplementary information

Incorporation

Pursuant to the authority and powers of the Minister of Energy, Mines and Resources under the Atomic Energy Control Act, the corporation was incorporated in 1952 under the provisions of the Canada Corporations Act (and continued in 1977 under the provisions of the Canada Business Corporations Act) to develop the utilization of atomic energy for peaceful purposes.

The corporation is a Schedule III Part I Crown corporation under the Financial Administration Act. The corporation is exempt from income taxes.

Corporate Plan

Pursuant to the Financial Administration Act, the corporation is required to submit a Corporate Plan for approval by the Governor in Council. The Corporate Plan for 1989/90-1993/94 was submitted, but approval was deferred pending the results of a review of the mandate and scope of operations of the corporation in conjunction with a restructuring of the nuclear industry in Canada.

Insurance

To the extent deemed appropriate, the corporation carries conventional insurance for its facilities and heavy water inventories. Decommissioned prototype reactors are self-insured.

Sales agents' remuneration

Guidelines concerning the commercial practices of Crown corporations require disclosure of sales agents and the total remuneration paid to them during the year.

Remuneration and expenses paid to the following sales agents and representatives in 1990 aggregated $1.0 million:

B.C. Park, U.S.A.; Marubeni Corporation, Japan; PII-PED International Inc., U.S.A.; P.T. Sanga Kencana International, Indonesia; Yuksel Nedim Yalcin, Turkey.

In 1989, such remuneration and expenses, including payments to sales agents and representatives of Nordion and Theratronics, aggregated $2.5 million.

BANK OF CANADA

AUDITORS' REPORT

We have examined the statement of assets and liabilities of the Bank of Canada as at December 31, 1989 and the statement of revenue and expense for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Bank as at December 31, 1989 and the results of its operations for the year then ended in accordance with the accompanying summary of significant accounting policies, applied on a basis consistent with that of the preceding year.

Coopers & Lybrand
Chartered Accountants

Peat Marwick
Chartered Accountants

Ottawa, Canada
February 6, 1990

STATEMENT OF ASSETS AND LIABILITIES
AS AT DECEMBER 31, 1989
(with comparative figures for 1988)
(in millions of dollars)

ASSETS	1989	1988
Deposits payable in foreign currencies		
U.S.A. dollars	352.4	369.1
Other currencies	17.5	263.0
	369.9	632.1
Advances to members of the Canadian Payments Association (Notes 2 and 8)	311.6	485.3
Investments—At amortized values (Note 3)		
Treasury bills of Canada	10,815.7	9,685.0
Other securities issued or guaranteed by Canada maturing within three years	3,424.6	3,051.4
Other securities issued or guaranteed by Canada not maturing within three years	6,584.8	7,609.8
Other investments	2,764.8	2,357.9
	23,589.9	22,704.1
Bank premises (Note 4)	138.4	139.8
Accrued interest on investments	293.8	320.8
Other assets	76.0	37.0
	24,779.6	24,319.1

LIABILITIES	1989	1988
Capital paid up (Note 5)	5.0	5.0
Rest fund (Note 6)	25.0	25.0
Notes in circulation	22,092.6	21,032.4
Deposits		
Government of Canada	20.7	14.2
Chartered banks	1,786.6	2,177.1
Other members of the Canadian Payments Association	229.7	259.7
Other deposits	397.3	307.5
	2,434.3	2,758.5
Liabilities payable in foreign currencies		
Government of Canada	209.0	472.9
Bank of Canada cheques outstanding	7.6	18.8
Other liabilities	6.1	6.5
	24,779.6	24,319.1

See accompanying notes to the financial statements.

J.W. CROW
Governor

J.-P. AUBRY
Chief Accountant

BANK OF CANADA—*Continued*

STATEMENT OF REVENUE AND EXPENSE
YEAR ENDED DECEMBER 31, 1989
(with comparative figures for 1988)
(in millions of dollars)

	1989	1988
Revenue		
Revenue from investments and other sources, net of interest paid on deposits of $42.8 ($21.3 in 1988)	2,424.5	2,109.7
Expense		
Salaries[(1)]	72.1	67.6
Contributions to pension and insurance funds[(2)]	9.1	8.7
Other staff expenses[(3)]	2.3	2.2
Directors' fees	0.1	0.1
Auditors' fees and expenses	0.5	0.5
Taxes—Municipal and business	9.5	8.8
Bank note costs	40.0	35.1
Data processing and computer costs	6.3	5.8
Premises maintenance—Net of rental income[(4)]	19.7	19.6
Printing of publications	1.0	0.5
Other printing and stationery	2.4	2.2
Postage and express	1.8	1.6
Telecommunications	1.8	1.7
Travel and staff transfers	2.7	2.3
Other expenses	2.9	2.1
	172.2	158.8
Depreciation on buildings and equipment	13.5	13.2
	185.7	172.0
Net revenue paid to Receiver General for Canada	2,238.8	1,937.7

See accompanying notes to the financial statements.

(1) Salaries include overtime and are for Bank staff other than those engaged in premises maintenance. The number of employee years worked by such staff (including temporary, part-time and overtime work) was 2,255 in 1989 compared with 2,234 in 1988.

(2) Contributions to pension and insurance funds for Bank staff other than those engaged in premises maintenance.

(3) Other staff expenses include retirement allowances and educational training costs.

(4) Premises maintenance comprises building and equipment maintenance expenses including related staff costs.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1989

1. Significant accounting policies

The financial statements of the Bank conform to the disclosure and accounting requirements of the Bank of Canada Act and the Bank's by-laws. The significant accounting policies of the Bank are:

(a) Revenues and expenses

Revenues and expenses are accounted for on the accrual basis except for interest on advances to a bank ordered to be wound up where interest is recorded as received.

(b) Investments

Investments, consisting mainly of Government of Canada treasury bills and bonds, are recorded at a cost adjusted for amortization of purchase discounts and premiums. The amortization as well as gains and losses on disposition are included in revenue.

(c) Translation of foreign currencies

Assets and liabilities in foreign currencies are translated to Canadian dollars at the rates of exchange prevailing at the year-end. Gains and losses from translation of, and transactions in, foreign currencies are included in revenue.

(d) Bank premises

Bank premises, consisting of land, buildings and equipment, are recorded at cost less accumulated depreciation. Depreciation is calculated on the declining balance method using the following annual rates:

Buildings	5%
Computer equipment	35%
Other equipment	20%

A full year of depreciation is charged against assets in the year of acquisition, except for Projects in progress which are depreciated from the point of substantial completion. No depreciation is taken on assets in the year of disposal.

(e) Pension plan

The Bank's contributions to the Pension Fund are recorded as expenses at the time they are made. Actuarial surpluses or deficiencies, if any, are amortized over periods not exceeding those provided for by the Pension Benefits Standards Act, 1985, and the regular contributions are adjusted accordingly.

(f) Insurance

The Bank does not insure against direct risks of loss to the Bank, except for potential liabilities to third parties and where there are legal or contractual obligations to carry insurance. Any costs arising from these risks are recorded in the accounts at the time they can be reasonably estimated.

2. Advances to members of the Canadian Payments Association

Advances include a total of $46.4 million ($143.0 million in 1988) provided to the Canadian Commercial Bank and the Northland Bank for which winding-up orders have been issued by the courts. On the basis of the available information, it is the opinion of the Bank of Canada that this amount will be fully repaid from the proceeds of the liquidations.

BANK OF CANADA—*Concluded*

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1989—*Concluded*

3. Investments

Investments may include securities of the Government of Canada held under Purchase and Resale Agreements (PRA). As at December 31, 1989 and 1988 there were no securities held under PRA.

4. Bank premises

	1989			1988
	Cost	Accumulated depreciation	Net	Net
	(in millions of dollars)			
Land and buildings	171.9	69.2	102.7	107.4
Computer equipment	27.5	22.1	5.4	6.9
Other equipment	56.5	32.2	24.3	16.3
	255.9	123.5	132.4	130.6
Projects in progress	6.0		6.0	9.2
	261.9	123.5	138.4	139.8

5. Capital

The authorized capital of the Bank is $5.0 million divided into 100,000 shares of the par value of $50 each. The shares are fully paid and in accordance with the Bank of Canada Act have been issued to the Minister of Finance, who is holding them on behalf of Canada.

6. Rest fund

The rest fund was established by the Bank of Canada Act and represents the general reserve of the Bank. In accordance with the Act, the rest fund was accumulated out of net revenue until it reached the stipulated maximum amount of $25.0 million in 1955. Subsequently, all net revenues have been paid to the Receiver General for Canada.

7. Contingent liability

During 1989, the Bank of Canada, along with central banks of other industrial countries, participated in short-term bridging arrangements to the Banco de Mexico and the Narodowy Bank Polski through the Bank for International Settlements. As at December 31, 1989, the Bank of Canada's contingent liability on the principal amounts outstanding under the arrangements with the Banco de Mexico and the Narodowy Bank Polski were U.S. $33.4 million (Can. $38.7 million at the December 31, 1989 closing exchange rate) and U.S. $8.6 million (Can. $10.0 million at December 31, 1989 closing exchange rate), respectively.

8. Legal matters

The Bank of Canada's security for advances to the Canadian Commercial Bank and the Northland Bank includes the loan portfolios of those institutions. In the case of the Canadian Commercial Bank, submissions have been presented to the court to determine whether the interest received from the portfolio forms part of the Bank's security. In the unlikely event that there were a final legal determination that all the interest is not included in the security it could result in some adjustment relating to amounts which have been recorded in income.

CANADA COUNCIL

AUDITOR'S REPORT

TO THE CANADA COUNCIL AND THE
MINISTER OF COMMUNICATIONS

I have examined the balance sheets of the Endowment Account and Special Funds of the Canada Council as at March 31, 1990 and the statements of revenue and expense and equity of the Endowment Account and Special Funds and the statement of changes in financial position of the Endowment Account for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Council as at March 31, 1990 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Raymond Dubois, F.C.A.
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
June 7, 1990

ENDOWMENT ACCOUNT

BALANCE SHEET AS AT MARCH 31, 1990
(in thousands of dollars)

ASSETS	1990	1989
Cash and short-term deposits	16,905	19,357
Accrued investment income	1,896	1,829
Accounts receivable	189	1,592
Prepaid expenses	261	332
Investments (Note 4)	100,988	93,173
Equipment and leasehold improvements (Note 5)	1,617	1,418
Works of art	13,912	12,993
	135,768	130,694

LIABILITIES	1990	1989
Grants payable	22,534	23,102
Accounts payable and accrued liabilities	907	1,225
Deferred revenue (Note 6)	1,001	569
Due to Special Funds	3,639	3,220
Due to Special Trusts (Note 7)	1,718	1,802
Provision for employee termination benefits	829	901
	30,628	30,819
EQUITY		
Fund capital		
Principal	50,000	50,000
Accumulated net gains on disposal of investments	35,127	32,230
	85,127	82,230
Contributed surplus—Works of art	13,912	12,993
Surplus		
Appropriated	2,700	2,700
Unappropriated	3,401	1,952
	6,101	4,652
	105,140	99,875
	135,768	130,694

Approved by Management:

JOYCE ZEMANS
Director

PETER BROWN
Treasurer

Approved by the Council:

ALAN GOTLIEB
Chairman

CANADA COUNCIL—*Continued*

STATEMENT OF REVENUE AND EXPENSE OF THE ENDOWMENT ACCOUNT FOR THE YEAR ENDED MARCH 31, 1990
(in thousands of dollars)

	1990	1989
Revenue		
Parliamentary appropriations	103,503	93,251
Interest and dividends	9,313	8,836
Art Bank rental fees	1,013	933
Cancelled grants and refunds of grants approved in previous years	642	429
Other revenue	184	312
	114,655	103,761
Expense		
Arts		
Grants and services	93,762	92,485
Administration (Schedule)	9,807	8,810
Works of art	919	852
	104,488	102,147
Canadian Commission for UNESCO		
Administration (Schedule)	1,225	1,143
Grants and services	188	148
	1,413	1,291
General administration (Schedule)	7,305	7,153
	113,206	110,591
Excess of revenue over expense (expense over revenue) for the year	1,449	(6,830)

STATEMENT OF CHANGES IN FINANCIAL POSITION OF THE ENDOWMENT ACCOUNT FOR THE YEAR ENDED MARCH 31, 1990
(in thousands of dollars)

	1990	1989
Operating activities		
Excess of revenue over expense (expense over revenue) for the year	1,449	(6,830)
Items not affecting cash		
Depreciation and amortization	517	431
Loss on disposal of equipment	41	8
Employee termination benefits	(72)	(64)
	1,935	(6,455)
Change in non-cash operating assets and liabilities	1,288	4,003
Funds provided by (applied to) operating activities	3,223	(2,452)
Investing activities		
Acquisition of equipment and leasehold improvements	(782)	(430)
Proceeds on disposal of equipment	25	11
(Increase) decrease in investments	(7,815)	4,195
Funds (applied to) provided by investing activities	(8,572)	3,776
Financing activities		
Net gains on disposal of investments credited to Fund capital	2,897	2,183
(Decrease) increase in funds	(2,452)	3,507
Cash and short-term deposits at beginning of the year	19,357	15,850
Cash and short-term deposits at end of the year	16,905	19,357

STATEMENT OF EQUITY OF THE ENDOWMENT ACCOUNT FOR THE YEAR ENDED MARCH 31, 1990
(in thousands of dollars)

	1990	1989
Fund capital		
Principal	50,000	50,000
Accumulated net gains on disposal of investments		
Balance at beginning of the year	32,230	30,047
Net gains on disposal for the year	2,897	2,183
Balance at end of the year	35,127	32,230
Balance of Fund capital at end of the year	85,127	82,230
Contributed surplus		
Balance at beginning of the year	12,993	12,141
Works of art purchased during the year	919	852
Balance at end of the year	13,912	12,993
Surplus		
Appropriated	2,700	2,700
Unappropriated		
Balance at beginning of the year	1,952	8,782
Excess of revenue over expense (expense over revenue) for the year	1,449	(6,830)
Balance at end of the year	3,401	1,952
Balance of surplus at end of the year	6,101	4,652

CANADA COUNCIL—*Continued*

SPECIAL FUNDS

BALANCE SHEET AS AT MARCH 31, 1990
(in thousands of dollars)

ASSETS	1990	1989
Cash and short-term deposits	7,698	6,168
Accrued interest	878	672
Investments (Note 4)	32,961	30,172
Due from Endowment Account	3,639	3,220
Musical instruments	930	930
	46,106	41,162

LIABILITIES	1990	1989
Grants payable	2,798	2,480
Accounts payable and accrued liabilities	22	
	2,820	2,480
EQUITY		
Fund capital		
Principal	32,792	32,504
Accumulated net gains on disposal of investments	9,924	5,927
	42,716	38,431
Surplus	570	251
	43,286	38,682
	46,106	41,162

Approved by Management:

JOYCE ZEMANS
Director

PETER BROWN
Treasurer

Approved by the Council:

ALAN GOTLIEB
Chairman

CANADA COUNCIL—*Continued*

STATEMENT OF REVENUE, EXPENSE AND EQUITY
OF THE SPECIAL FUNDS (NOTE 3)
FOR THE YEAR ENDED MARCH 31, 1990
(in thousands of dollars)

	1990	1989
Revenue and expense		
Revenue		
Interest and dividends	3,398	3,195
Other revenue	82	44
	3,480	3,239
Expense		
Grants	2,480	2,351
Administration	431	431
	2,911	2,782
Excess of revenue over expense for the year	569	457
Equity		
Fund capital		
Principal		
Balance at beginning of the year	32,504	31,595
Donations received	38	669
Net income capitalized	250	240
Balance at end ot the year	32,792	32,504
Accumulated net gains on disposal of investments		
Balance at beginning of the year	5,927	6,469
Net gains (losses) on disposal of investments	3,997	(542)
Balance at end of the year	9,924	5,927
Surplus		
Balance at beginning of the year	251	34
Excess of revenue over expense for the year	569	457
Net income capitalized	(250)	(240)
Balance at end ot the year	570	251
Equity at end of the year	43,286	38,682

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1990

1. Authority and operations

The Canada Council was established by the Canada Council Act in 1957 which authorized the creation of an Endowment Fund of $50 million pursuant to Section 13 of the Act. Except for the annual parliamentary appropriation, monies or properties donated to the Council pursuant to Section 18 of the Act are generally accounted for as Special Funds or Special Trusts. The Council has been assigned the functions and duties for the Canadian Commission for UNESCO pursuant to Paragraph 8(2) of the Act. The Council is not an agent of Her Majesty. Its objectives are to foster and promote the study, enjoyment and production of works, in the arts.

2. Significant accounting policies

(a) Investments

Equities, bonds, debentures and mortgages are recorded at cost. The portfolios of two Special Funds (Molson Prize and Lynch-Staunton) are merged with the Endowment Account. Special Funds with capital in excess of $250,000 and received after January 1, 1990 are merged with the Endowment Account. The participation of each fund is calculated on the basis of market value as at the date the monies are received. Interest, dividends, gains and losses on disposal of investments are allocated to each fund based on the percentages established at the beginning of each quarter.

Special Funds with capital less than $250,000 and Special Trusts receive income calculated quarterly using the ninety day Treasury Bill rate at the beginning of the quarter.

Investments are written down to market value when the loss in value is considered to be other than a temporary decline.

(b) Equipment and leasehold improvements

Equipment and leasehold improvements are recorded at cost and depreciated over their estimated useful lives on the straight-line method, as follows:

Equipment	3 to 5 years
Leasehold improvements	term of the lease (maximum 10 years)

A full year's depreciation is taken in the year of aquisition while no depreciation is taken in the year of disposal. Gains and losses on disposals are netted against the depreciation expense in the year of disposal.

(c) Works of art

Works of art acquired by the Canada Council Art Bank are recorded at cost.

(d) Musical instruments—Special Funds

Musical instruments are recorded at cost.

(e) Special Funds and Special Trusts

Special Funds and Special Trusts include monies received by the Canada Council by way of bequest, gift or donation and may be specific as to purpose.

Special Funds are managed at the full discretion of the Canada Council and are invested in accordance with the policies of the Endowment Fund.

Special Trusts are either managed or allowed to have their capital drawn down, in accordance with donor's wishes.

CANADA COUNCIL—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1990—*Continued*

(f) Employee termination benefits

Employees are entitled to specific termination benefits as provided for under the Council's policy and conditions of employment. The cost of these benefits is expensed in the year in which they accrue to employees.

(g) Gains and losses on disposal of investments

Pursuant to subsection 17(2) of the Act, net gains or losses on disposal of investments are credited or charged to the Fund Capital. In the event that net losses exceed the Fund balance, the excess is recorded as an expense.

(h) Contributed surplus

Amounts paid during the year for the purchase of works of art acquired by the Canada Council Art Bank are expensed. Such purchases are then capitalized as contributed surplus-works of art and no depreciation is recorded.

(i) Appropriated surplus

The Council has established a reserve to help reduce the effect of inflation on the value of the original endowment. Any changes in this account are approved by the Council.

(j) Capitalization of net income of Special Funds

The Council capitalizes 10% of the revenue less administration expenses of the Izaak Walton Killam Memorial Fund for Advanced Studies and the Killam Special Scholarship Fund, in accordance with advice received from the trustees of these Funds in order to preserve the equity for future beneficiaries. However, for the purposes of the Funds, the Council reserves the right to draw at any time on the accumulated net income capitalized.

(k) Pension plan

Employees participate in the Public Service Superannuation Plan administered by the Government of Canada. The employees and the Council contribute equally to the cost of the Plan. This contribution represents the total liability of the Council.

(l) Parliamentary appropriations

Parliamentary appropriations to the Council are recorded as revenue in the year in which they are approved by Parliament.

(m) Grants and services

Grants approved by the Council are recorded as expense in the appropriate year as determined by the Treasurer in consultation with the Arts Division. Cancelled grants and refunds of grants approved in previous years, are shown as revenue.

Services to the arts which include juries, advisory committees, prizes and other costs that directly serve artists or the arts community, are recorded as expense in the year in which they are incurred.

3. Special funds

(a) Izaak Walton Killam Memorial

A bequest of $12,339,615 in cash and securities was received from the estate of Mrs. Dorothy J. Killam and was established "to provide scholarships for advanced study or research in any field of study or research other than the 'arts' as presently defined in the Canada Council Act and not limited to the 'humanities and social sciences' referred to in such Act."

The bequest contains the provision that "the Fund shall not form part of the Endowment Account or otherwise be merged with any assets of the Council". The cash and securities received and the proceeds have been invested in a separate portfolio.

The fund equity as at March 31, 1990 was $18,966,558 (1989—$16,371,812).

(b) Killam Special Scholarship

This fund was established by way of securities received from Mrs. Dorothy J. Killam. Dividends and proceeds from the redemption of those securities amounted to $13,653,344.

The net income from this fund is available to provide fellowship grants to Canadians for advanced study or research in the fields of medicine, science and engineering.

The fund equity as at March 31, 1990 was $18,289,278 (1989—$16,538,528).

(c) Jean A. Chalmers

An endowment of $500,000 in cash was received from Mrs. Floyd S. Chalmers to establish a special Jean A. Chalmers Fund for the crafts. In consultation with the Canadian Crafts Council, the income of the fund is used to provide a small number of special project grants for the development or advancement of the crafts in Canada.

The fund equity as at March 31, 1990 was $540,020 (1989—$521,709).

(d) Molson Prize

Gifts of $1,000,000 were received from the Molson Foundation for the establishment of the Molson Prize Fund. The income of the fund is used for awarding cash prizes to Canadians "for outstanding achievement in the fields of the Arts, the Humanities or the Social Sciences".

The fund equity as at March 31, 1990 was $1,417,272 (1989—$1,377,946).

(e) Lynch-Staunton

This fund was established by a bequest in cash of $699,066 received from the estate of V.M. Lynch-Staunton, the income from which is available for the regular programs of the Council.

The fund equity as at March 31, 1990 was $1,440,474 (1989—$1,346,948).

(f) Vida Peene

This fund was established by a bequest in cash of $599,761 received from Vida Peene to provide payments to specified organizations.

The fund equity as at March 31, 1990 was $599,799 (1989—$599,761).

(g) Joseph S. Stauffer

This fund was established by bequests in cash totalling $400,000 from the estate of Joseph S. Stauffer, the income from which is to provide prizes to encourage promising young Canadians in the fields of music, visual arts and literature.

The fund equity as at March 31, 1990 was $466,540 (1989—$447,900).

The following Special Funds have an original capital less than $250,000 and have a total fund equity as at March 31, 1990 of $1,566,201 (1989—$1,478,249).

CANADA COUNCIL—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1990—*Continued*

(h) Other

(i) Frances Elizabeth Barwick and J.P. Barwick

Bequest totalling $93,000 in cash was received from the estates of Mrs. Frances Elizabeth Barwick and J.P. Barwick. The total fund is to be used for the benefit of the musical arts and is being used for a musical instruments bank.

(ii) John B.C. Watkins

This fund was established by a bequest consisting of the net income from the residue of the estate of the late John B.C. Watkins to provide scholarships for postgraduate studies in specified countries.

(iii) The Duke and Duchess of York Prize in Photography

The Council received an endowment of $170,000 from the Government of Canada to mark the occasion of the marriage of The Duke and Duchess of York. The income from this endowment is to be used to provide an annual scholarship to a professional artist for personal creative work or advanced study in photography.

(iv) Petro Canada Award

Petro Canada donated $50,000 towards an award in the media arts. The income from this donation is to be used to provide an annual award to an artist who has achieved outstanding and innovative use of new technology in the media arts.

(i) Funds will eventually be received from the following bequests :

(i) Edith Davis Webb

This fund estimated at $400,000, is intended "for the purpose of making grants or establishing scholarships for musical study in such manner as the Council shall determine."

(ii) Coburn Fellowship Trust

This fund, the amount of which cannot be determined at this time, is to provide for exchanges of scholars between Israel and Canada. It consists of an amount of $100 from Kathleen Coburn to establish this fund as well as a $20,000 donation received from F.E Coburn.

(iii) John Stephen Hirsch

This fund, the amount of which cannot be determined at this time, is being established from the estate of John Hirsch for specific purposes. An interim distribution of $38,000 has been received from the estate.

4. Investments

	1990		1989	
	Cost	Market value	Cost	Market value
	(in thousands of dollars)			
Endowment Account				
Bonds and debentures	55,466	52,666	47,633	47,146
Equities	43,734	51,492	43,628	52,535
Mortgages	1,788	1,788	1,912	1,912
	100,988	105,946	93,173	101,593
Special Funds				
Bonds and debentures	18,473	17,051	18,951	18,550
Equities	14,220	14,727	10,923	14,569
Mortgages	268	268	298	298
	32,961	32,046	30,172	33,417

5. Equipment and leasehold improvements

	1990			1989
	Cost	Accumulated depreciation and amortization	Net book value	Net book value
	(in thousands of dollars)			
Equipment	2,206	1,333	873	801
Leasehold improvements	1,158	414	744	617
	3,364	1,747	1,617	1,418

6. Deferred revenue

	1990	1989
	(in thousands of dollars)	
Art Bank		
—Rentals of works of art	320	276
—Deferred rent	438	
Canadian Commission for UNESCO	243	220
Touring Office		73
	1,001	569

The deferred rent represents an inducement payment received from the landlord that will be used to reduce rental accommodation expense over the next four years. Amounts from the Canadian Commission for UNESCO represent funds received for specific programs for which expenses have not yet been incurred.

7. Due to Special Trusts

These funds have been accounted for separately due to special conditions related to the donations. Trusts with balances exceeding $50,000 are:

(i) Glenn Gould Prize Fund

The Council has received $525,113 from the Glenn Gould Memorial Foundation to provide a prize of $50,000 every three years (funds permitting) to an outstanding individual for his or her original contribution to the field of music and communications. As at March 31, 1990, the balance stood at $626,164.

(ii) Visiting Foreing Artists Program

The Visiting Foreign Artists Program is administered by the Arts Awards Service of the Canada Council on behalf of Department of External Affairs. It is a residency program through which Canadian professional arts organizations receive assistance to invite distinguished foreign artists from any country outside Canada for periods ranging from two weeks to four months. As at March 31, 1990, the balance stood at $74,015.

(iii) Japan-Canada Fund

The Council received an endowment of $966,651 from the Government of Japan "to further strengthen the relations between Canada and Japan." After consultations with the Embassy of Japan, the income from the endowment is to be used to fund programs that will encourage artistic exchange between the two countries. As at March 31, 1990, the balance stood at $1,002,328.

CANADA COUNCIL—*Concluded*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1990—*Concluded*

8. Lease commitments

The Council is a party to long-term leases with respect to rental accommodation. The aggregate minimum annual rental is as follows:

	(in thousands of dollars)
1991	1,936
1992	1,963
1993	2,018
1994	2,045
1995	2,145
1996-1999	4,796

9. Comparative figures

Certain comparative figures have been reclassified to conform to the current year presentation.

SCHEDULE OF ADMINISTRATION EXPENSE
OF THE ENDOWMENT ACCOUNT
FOR THE YEAR ENDED MARCH 31, 1990
(in thousands of dollars)

	Arts	Canadian Commission for UNESCO	General	Total 1990	Total 1989
Salaries	5,501	653	3,118	9,272	8,938
Office accommodation	1,491	129	1,075	2,695	2,139
Employee benefits	824	94	480	1,398	1,360
Staff travel	734	80	122	936	823
Professional and special services	361	31	461	853	777
Communications	428	40	177	645	624
Depreciation and amortization	61		497	558	439
Informatics	6		438	444	529
Meeting expenses including members' honoraria	75	161	206	442	491
Investment portfolio management			377	377	370
Printing, publications and duplicating	169	29	166	364	281
Office expenses and equipment	77	7	176	260	249
Miscellaneous	80	1	12	93	86
	9,807	1,225	7,305	18,337	17,106

CANADA DEPOSIT INSURANCE CORPORATION

MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying financial statements of the Canada Deposit Insurance Corporation and all information in this annual report are the responsibility of management and have been approved by the Board of Directors. The financial statements include some amounts that are necessarily based on management's best estimates and judgement.

The financial statements have been prepared by management in accordance with generally accepted accounting principles which have been consistently applied. Financial information presented elsewhere in the annual report is consistent with that contained in the financial statements.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are authorized, assets are safeguarded and proper records are maintained in accordance with the Financial Administration Act and regulations as well as the Canada Deposit Insurance Corporation Act and by-laws of the Corporation. The system of internal control is augmented by internal audit which conducts periodic reviews of different aspects of the Corporation's operations. In addition, the internal and external auditors have free access to the audit committee of the Board, which oversees management's responsibilities for maintaining adequate control systems and the quality of financial reporting.

These financial statements have been independently examined by the Corporation's auditor, the Auditor General of Canada, and his report is included herein.

Charles C. de Léry
President and Chief Executive Officer

Bert C. Scheepers
Vice-President, Operations

Johanne R. Lanthier
Comptroller

AUDITOR'S REPORT

TO THE MINISTER OF FINANCE

I have examined the balance sheet of the Canada Deposit Insurance Corporation as at December 31, 1989 and the statements of deposit insurance fund, investment and administrative operations and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1989 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with Part X of the Financial Administration Act and regulations, the Canada Deposit Insurance Corporation Act and the by-laws of the Corporation.

Kenneth M. Dye, F.C.A.
Auditor General of Canada

Ottawa, Canada
February 21, 1990

BALANCE SHEET AS AT DECEMBER 31, 1989
(in thousands of dollars)

ASSETS	1989	1988
Cash and treasury bills	85,490	62,348
Premiums and other accounts receivable	4,116	2,245
Assets acquired from insolvent member institutions	316	147
Furniture, equipment and leasehold improvements	1,070	591
	90,992	65,331
Loans to member institutions and others (Note 3)	111,021	162,368
Claims against insolvent member institutions (Note 4)	891,154	1,088,247
	1,002,175	1,250,615
General provision for loss (Note 5)	(502,000)	(584,000)
	500,175	666,615
	591,167	731,946

LIABILITIES	1989	1988
Accounts payable	3,312	2,565
Loans from Consolidated Revenue Fund (Note 6)	1,438,654	1,746,486
	1,441,966	1,749,051
DEPOSIT INSURANCE FUND		
Deficit at year end	(850,799)	(1,017,105)
	591,167	731,946

Approved by the Board:

R.A. McKINLAY
Chairman

H. MARCEL CARON
Director

CANADA DEPOSIT INSURANCE CORPORATION—*Continued*

STATEMENT OF DEPOSIT INSURANCE FUND
FOR THE YEAR ENDED DECEMBER 31, 1989
(in thousands of dollars)

	1989	1988
Deficit, beginning of year	(1,017,105)	(1,107,563)
Insurance operations		
Premiums (Note 7)	244,909	215,631
Interest on loans to member institutions and others	20,112	5,771
Other interest	3,273	139
	268,294	221,541
Interest on loans from Consolidated Revenue Fund	171,164	142,458
Provision for loss adjustment	(77,733)	(40,000)
Interest on loans from member institutions		22,713
	93,431	125,171
Gain from insurance operations for the year	174,863	96,370
Deficit before net loss from investment and administrative operations	(842,242)	(1,011,193)
Net loss from investment and administrative operations	(8,557)	(5,912)
Deficit, end of year	(850,799)	(1,017,105)

STATEMENT OF INVESTMENT
AND ADMINISTRATIVE OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 1989
(in thousands of dollars)

	1989	1988
Interest revenue		
Treasury bills	3,583	1,936
Other	18	247
	3,601	2,183
Expenses		
Inspection, legal and other fees	3,280	2,344
Salaries and other personnel cost	3,045	2,467
Public awareness program	3,436	913
General and administrative	1,205	869
Premises	660	621
Data processing	532	881
	12,158	8,095
Net loss from investment and administrative operations	(8,557)	(5,912)

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1989
(in thousands of dollars)

	1989	1988
Operating activities		
Gain from insurance operations	174,863	96,370
Net loss from investment and administrative operations	(8,557)	(5,912)
Non-cash items included in gain or net loss:		
Depreciation and amortization	302	193
Provision for loss adjustment	(77,733)	(40,000)
Increase (decrease) in receivables and payables	(1,124)	10,922
Increase in accrued interest on loans from Consolidated Revenue Fund	12,168	27,347
Assets acquired from insolvent member institutions (net)	(169)	168
Loans to member institutions and claims against insolvent members (net)	244,173	72,038
Repayment of loans from member institutions		(581,871)
Cash provided by (used in) operating activities	343,923	(420,745)
Investing activities		
Purchase of fixed assets (net)	(781)	(115)
Financing activities		
Increase (decrease) in loans from Consolidated Revenue Fund	(320,000)	461,337
Increase during the year	23,142	40,477
Cash and treasury bills, beginning of year	62,348	21,871
Cash and treasury bills, end of year	85,490	62,348

CANADA DEPOSIT INSURANCE CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1989

1. Authority and objective

The Corporation was established in 1967 by the Canada Deposit Insurance Corporation Act (the CDIC Act). It is a Crown corporation named in Part I of Schedule III to the Financial Administration Act.

The objects of the Corporation are to provide insurance against the loss of part or all of deposits, to be instrumental in the promotion of standards of sound business and financial practices for member institutions, and to promote and otherwise contribute to the stability and competitiveness of the financial system in Canada. The aforementioned objects are to be pursued for the benefit of depositors and in a manner so as to minimize the exposure of the Corporation to loss.

The Corporation has the power to do all things necessary or incidental in the furtherance of its objects including the acquisition of assets from or guarantee of loans to a member institution. It may make or cause to be made inspections of member institutions, prescribe standards of sound business and financial practices, and act as liquidator, receiver or inspector of a member institution or a subsidiary thereof.

2. Accounting policies

Basis of preparation

These financial statements have been prepared in accordance with accounting principles generally accepted in Canada.

These financial statements do not reflect the assets, liabilities or operations of member institutions whose operations the Corporation is financing in order to secure an orderly wind down.

The more significant policies adopted are set out below.

Premium recognition

Premiums are recognized when assessed and are based on insured deposits with member institutions as at April 30 of each year. Premiums are collectible in two equal instalments, on June 30 and December 31 of the year.

General provision for loss

The general provision for loss reflects the Corporation's best estimate of losses in respect of only those member institutions against which the Corporation has or is certain to have a financial claim. This estimate includes consideration of losses expected in respect of claims against insolvent member institutions arising from payments made to insured depositors and of loans made to member institutions under an agency or loan agreement.

Claims against insolvent member institutions and loans to member institutions and others, may be written-off in full or in part when, in the opinion of the Corporation, there is reasonable certainty that the claims and loans will not be fully realized. This would generally occur when a period of three years has elapsed since the intervention by the Corporation. The Corporation is required to exercise judgement in arriving at its decision to write-off all or a portion of its claims and loans. Also the amount written-off depends largely on the availability of reliable information regarding the amount the Corporation expects to lose with respect to a particular insolvent member institution.

Interest income recognition

The Corporation charges interest on loans advanced, directly or indirectly, by it in accordance with the specific terms of the loan agreements. It ceases to recognize interest income when an insolvent member institution is placed in liquidation or when there is a reasonable doubt as to the ultimate collectibility of the interest. When reasonable doubt is present, interest revenue is recognized only as cash is received.

3. Loans to member institutions and others

The Corporation, under the provisions of loan agreements, has made loans to member institutions and others. Two of these loans are in respect of member institutions in receivership which were substantially wound down over a five-year period. The Corporation is not accruing interest on these two loans because it is highly unlikely that any interest will be recovered from these institutions. As at December 31, 1989, the outstanding balance of these loans was $21 million (1988: $51 million).

A third loan outstanding is in respect of a member institution which is presently under a loan agreement with the Corporation and an advisory agreement with another member institution. The ultimate purpose of these agreements is to manage the winding-down of this institution in an orderly manner. This loan is secured by a floating charge on all the assets of the member institution. The Corporation is collecting interest on this $31 million loan on a current basis (1988: $36 million).

The fourth loan was made in October 1988, under the general powers of subsection 10(1) of the CDIC Act. Its purpose was to assist in the sale of a member institution. As at December 31, 1989, the Corporation had a fully secured $59 million loan on which interest is collected on a current basis (1988: $75 million).

4. Claims against insolvent member institutions

Claims against insolvent member institutions arise through the subrogation of the rights and interests of the depositor when the Corporation pays that depositor's claim. The Corporation also asserts a claim against insolvent member institutions in liquidation, arising out of loans previously advanced by the Corporation. The Corporation has asserted claims against all its insolvent member institutions which were placed in liquidation.

5. General provision for loss

The following table provides details of the calculation of the general provision for loss as reflected on the balance sheet:

	1989	1988
	(in thousands of dollars)	
Balance, beginning of year	584,000	1,230,000
Provision for loss adjustment	(77,733)	(40,000)
	506,267	1,190,000
Less write-offs		
Claims against insolvent member institutions	4,267	515,807
Loans to member institutions and others		90,193
	4,267	606,000
Balance, end of year	502,000	584,000

CANADA DEPOSIT INSURANCE CORPORATION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1989—*Concluded*

The Corporation is a claimant in a number of judicial actions arising out of the collapse or insolvency of various member institutions. The general provision for loss does not take into account any potential recoveries which may arise should an action be resolved in the Corporation's favour.

6. Loans from Consolidated Revenue Fund

With the approval of the Governor in Council, the Corporation can borrow up to $3 billion from the Consolidated Revenue Fund.

7. Premiums

In accordance with paragraph 21(1)(b) of the CDIC Act, the Corporation requested, and the Governor in Council fixed the premium rate for the premium year 1989, at one-tenth of one percent of insured deposits, the same rate as in 1988.

8. Contingent liabilities

The Corporation is a defendant in a number of judicial actions arising out of the collapse or insolvency of various member institutions. The Corporation does not believe it has any liability as a result of these actions and has therefore not provided for any potential claims.

9. Income taxes

The Corporation is subject to federal income taxes although it is not subject to taxation on premiums assessed and may not take a deduction for claims paid.

The Corporation has available losses which can be carried forward to reduce future years' earnings otherwise subject to taxation. Such losses total $698 million and expire as follows:

Originating taxation year	Expiring taxation year	Amount (in thousands of dollars)
1984	1991	44,000
1985	1992	81,000
1986	1993	85,000
1987	1994	167,000
1988	1995	165,000
1989	1996	156,000
		698,000

10. Insured deposits

Deposits insured by the Corporation, on the basis of returns received from member institutions, as at April 30, 1989 and 1988, were as follows:

	1989	1988
	(in billions of dollars)	
Federal Institutions	225	198
Provincial Institutions	20	18
	245	216

11. Long-term operating lease commitments

Future minimum lease payments for premises expiring in 1991 are as follow:

Year ending December 31	Amount
	$
1990	436,000
1991	214,000
	650,000

12. Comparative figures

Certain of the 1988 figures have been reclassified to conform with the presentation adopted for 1989.

CANADA DEVELOPMENT INVESTMENT CORPORATION

THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1989
WERE NOT AVAILABLE AT DATE OF PRINTING

CANADA HARBOUR PLACE CORPORATION

AUDITOR'S REPORT

TO THE MINISTER OF TRANSPORT

I have examined the balance sheet of Canada Harbour Place Corporation as at March 31, 1990 and the statements of operations, equity of Canada and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1990 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with Part X of the Financial Administration Act and regulations, and the articles and by-laws of the Corporation.

Raymond M. Dubois, F.C.A.
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
May 4, 1990 except for Note 7 for which the date is May 31, 1990

BALANCE SHEET AS AT MARCH 31, 1990
(in thousands of dollars)

ASSETS	1990	1989	LIABILITIES AND EQUITY OF CANADA	1990	1989
Cash and short-term investments	686	838	Accounts payable	401	392
Accounts receivable	387	455	Equity of Canada	66,961	68,947
Fixed assets (Note 3)	66,289	68,046			
	67,362	69,339		67,362	69,339

Approved by the Board:

T. RUST
Director

J. H. GREEN
Director

CANADA HARBOUR PLACE CORPORATION—*Continued*

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 1990
(in thousands of dollars)

	1990	1989
Canada Place		
Revenues		
Operating/utilities recoveries (Note 4)	3,218	3,297
Lease revenues		
Parking	1,445	1,257
Theatre	327	343
Promenade shops	115	164
Restaurant	88	87
Tenant administration fee	135	135
Interest	77	57
Marketing	55	93
Miscellaneous	26	16
	5,486	5,449
Expenses		
Operations		
Utilities	1,438	1,398
Common facilities	1,077	1,042
Central plant	405	441
Tenants work requests	249	284
Insurance	196	220
Shared areas	145	160
	3,510	3,545
Administration, Public Relations and other (Note 5)	1,995	1,692
Depreciation	1,967	1,958
	7,472	7,195
Net operating expenses	1,986	1,746
Canada Pavilion revenues		33
Net cost of operations	1,986	1,713

STATEMENT OF EQUITY OF CANADA
FOR THE YEAR ENDED MARCH 31, 1990
(in thousands of dollars)

	1990	1989
Capital stock		
Contributed capital		
Balance at beginning of year	68,947	70,660
Net cost of operations	1,986	1,713
Balance at end of year	66,961	68,947

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1990
(in thousands of dollars)

	1990	1989
Cash provided by (used for) operations		
Net cost of operations	(1,986)	(1,713)
Items not requiring cash		
Depreciation	1,967	1,958
Changes in other components of working capital	77	300
	58	545
Cash used for investisting activities		
Additions to fixed assets	(210)	(134)
Increase (decrease) in cash during the year	(152)	411
Cash and short-term investments		
Beginning of year	838	427
End of year	686	838

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1990

1. Authority and objectives

Canada Harbour Place Corporation was incorporated in 1982 under the Canada Business Corporations Act. The Corporation is an agent Crown Corporation and is included in Part I of Schedule III to the Financial Administration Act. The only three shares issued are all held in right of Canada by the Minister of Transport.

The objectives of the Corporation are to act as a developer and acquire, administer and dispose of land, and manage real property for the Government of Canada in Vancouver, B.C. For this purpose it designed and constructed a facility called Canada Place which includes a cruise ship terminal, the Trade and Convention Centre, which was formerly the Canada Pavilion at Expo 86, various commercial and public facilities, a parking lot and infrastructure for a hotel.

In accordance with a lease agreement with the Province of British Columbia, the Corporation transferred the administration and maintenance of the Trade and Convention Centre in Canada Place including pre-function areas, meeting rooms and retail space, for a term of 20 years with renewal options for three successive similar terms.

CANADA HARBOUR PLACE CORPORATION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1990—*Concluded*

2. Significant accounting policies

These financial statements have been prepared by management in accordance with generally accepted accounting principles. The more significant accounting policies of the Corporation are as follows:

Fixed assets and depreciation

All expenditures, including those for acquisition, design, construction and administration for the permanent structures at Canada Place, were capitalized at the time the facility was fully developed.

Depreciation is calculated on a straight-line basis based on the estimated useful lives of the assets. The building is depreciated over 40 years, while furniture, fixtures and equipment are depreciated over 20 years.

Income taxes

The Corporation is exempt from any liability for income taxes.

Retirement savings plan

Under a group retirement savings plan, a trust was established with a private sector organization to accumulate contributions to provide a retirement income for long-term employees through individually registered retirement savings plans. The Corporation has agreed to make non contributory payments, which are recognized annually, ranging from 5% to 10% of the annual salary for each of these employees.

Operations revenues and expenses

Operations revenues and expenses relate to the management of Canada Place including the leasing of these facilities to various tenants. Central plant and utilities include electricity, natural gas, oil, labour and supplies used to supply power, water, air conditioning and heat for the facility. Common facilities and shared areas include labour, security, engineering and material used to provide the tenants with services as outlined in various leases and agreements.

3. Fixed assets

	1990			1989
	Cost	Accumulated depreciation	Net	Net
	(in thousands of dollars)			
Building	65,650	4,920	60,730	62,321
Furniture, fixtures and equipment	6,515	956	5,559	5,725
	72,165	5,876	66,289	68,046

Title to that part of the bed of Vancouver harbour on which the facility is located was transferred to the Corporation from Vancouver Port Corporation for one dollar and has been so recorded in site purchase costs.

4. Operating/utilities recoveries

Operating cost recoveries include amounts recovered from the Corporation's tenants for operating expenses, central plant and utilities. During the year these costs exceeded the associated recoveries by $292,000 (1989—$248,000). This is caused by the Corporation incurring expenses in areas for which it is solely responsible, and cannot charge to its tenants under the various leases and agreements.

5. Administration, public relations and other expenses

	1990	1989
	(in thousands of dollars)	
Advertising and promotion	661	539
Promenade shops	473	219
Salaries	399	396
Imax projection system lease	180	185
Office rental	125	121
Travel	46	39
Legal and professional	42	108
Communications	27	28
Repair and maintenance	24	49
Miscellaneous	18	8
	1,995	1,692

Promenade shops expense for 1990 includes costs related to the settlement of claims by former tenants.

6. Lease commitments

The Corporation has entered into a 20 year lease agreement in effect from 1987 for the Imax projection system with a minimum total payment of $3 million. The minimum annual lease payment for the years 1990-91 to 1993-94 will be $186,000. The agreement provides for annual escalation at the rate of the Consumer Price Index.

The Corporation has entered into contracts for exterior and interior facility cleaning aggregating $296,000 for the period April 1, 1990 to July 31, 1991.

The Corporation has a lease agreement for office accommodation aggregating $38,000 plus an estimated pro rata share of operating costs of $24,000 for the period April 1, 1990 to September 30, 1990.

7. Discontinuation of Corporation

On February 20, 1990 the government announced in its 1990-91 Federal Budget that it will proceed with the necessary legislation to wind up the Corporation in an orderly fashion and transfer its assets and functions to another entity.

Bill C-73, Crown Corporations Dissolution or Transfer Authorization Act, was tabled in the House of Commons on May 31, 1990. This Bill provides for the sale or disposition of the shares and assets of the Corporation.

8. Contingency

Employees may be entitled to termination benefits under conditions of their employment contracts dependent on how the Corporation proceeds to wind up its operations. Accordingly no accrual of termination benefits has been set up. The estimated liability at March 31, 1990 for the maximum amount of such termination benefits is $182,000.

9. Related party transactions

The Corporation is related in terms of common ownership to all Government of Canada created departments, agencies and Crown corporations. The Corporation enters into transactions with departments, agencies and Crown corporations in the normal course of business.

10. Comparative figures

Certain comparative figures for 1989 have been reclassified to conform with the 1990 presentation.

CANADA LANDS COMPANY LIMITED

AUDITOR'S REPORT

TO THE MINISTER OF PUBLIC WORKS

I have examined, in accordance with generally accepted auditing standards, the balance sheet of Canada Lands Company Limited as at March 31, 1990. In my opinion, it presents fairly the financial position of the corporation at that date in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the corporation that have come to my notice during my examination of the balance sheet have, in all significant respects, been in accordance with Part X of the Financial Administration Act and regulations, the articles and by-laws of the corporation.

Raymond Dubois, F.C.A.
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
May 28, 1990

BALANCE SHEET AS AT MARCH 31, 1990

ASSETS	1990	1989	SHAREHOLDER'S EQUITY	1990	1989
	$	$		$	$
Investments (Notes 2(a), (b) and 6)			Capital stock (Note 2(c))		

Approved by the Board:

R.J. GIROUX
President

CANADA LANDS COMPANY LIMITED—*Continued*

NOTES TO FINANCIAL STATEMENT
MARCH 31, 1990

1. Authority and activities

The Canada Lands Company Limited, an agent Crown corporation, originally named Public Works Lands Company Limited, was incorporated under the Companies Act in 1956. It was added to Schedule C to the Financial Administration Act in 1979 and listed as a parent Crown corporation in 1984 in Part I of Schedule III to the Financial Administration Act.

The corporation has, by virtue of its letters patent of incorporation, the power to acquire, purchase, lease, hold, improve, manage, exchange, sell, turn to account or otherwise deal in or dispose of real or personal property or any interest therein. However, it has been used only to hold, in trust for other departments, certain leasehold interests in two properties in London, England, and two properties on Indian reserves in Canada. Funding for these leases is borne by other departments.

2. Significant accounting policies

(a) Investments in subsidiaries

The corporation wholly owns the following three subsidiary corporations:

Canada Lands Company (Mirabel) Limited
Canada Lands Company (Vieux-Port de Québec) Inc.
Old Port of Montreal Corporation Inc.

The shares have been acquired in consideration of services rendered.

(b) Exclusion of subsidiaries from consolidation

The financial statements of the subsidiaries are excluded from consolidation because increases in their equity are not likely to accrue to the parent.

(c) Capital stock

The corporation is authorized to issue three shares which shall not be transferred to any person other than a person approved by the Minister of Public Works. The authorized shares have been issued in consideration of services rendered and are held in trust for Her Majesty in right of Canada by the Minister of Public Works.

3. Financial statement

The corporation has not been involved in any financial transactions. As a result, the balance sheet has nil balances and no other financial statement is presented.

4. Related party transactions

The Department of Public Works provides the corporation, without charge, with such executive and administrative functions as are required for its operations.

5. Information on certain wholly-owned subsidiaries

Canada Lands Company (Vieux-Port de Québec) Inc. ceased operations effective March 31, 1988. However, a decision has yet to be taken with respect to formal dissolution of the corporation pending the resolution of certain legal matters.

In March 1989, the Governor in Council and the Treasury Board authorized the Minister of Public Works to extend the mandate of the Canada Lands Company (Mirabel) Limited to March 31, 1991.

6. Canada Museums Construction Corporation Inc. (CMCC)

The corporation holds two out of the three issued shares of the Canada Museums Construction Corporation Inc. (CMCC). The third share is held by the Minister of Public Works. However, control of CMCC lies with the Minister of Public Works through a shareholders' agreement.

It is anticipated that the CMCC share now held by the Minister of Public Works in trust for Her Majesty in right of Canada will be transferred to Canada Lands Company Limited. Bill C-73, entitled Crown Corporations Dissolution or Transfer Authorization Act, was tabled in the House of Commons on May 31, 1990.

CANADA LANDS COMPANY LIMITED—*Continued*

APPENDIX

CANADA LANDS COMPANY (VIEUX-PORT DE QUÉBEC) INC.

AUDITOR'S REPORT

TO THE MINISTER OF PUBLIC WORKS

I have examined the balance sheet of Canada Lands Company (Vieux-Port de Québec) inc. as at March 31, 1990. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, this balance sheet presents fairly the financial position of the Corporation as at March 31, 1990 in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my examination of the balance sheet have, in all significant respects, been in accordance with Part X of the Financial Administration Act and regulations, as well as the charter and by-laws of the Corporation.

Raymond Dubois, F.C.A.
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
May 28, 1990

BALANCE SHEET AS AT MARCH 31, 1990

ASSETS	1990	1989	LIABILITIES	1990	1989
	$	$		$	$
Cash	8,815	167,972	Accounts payable	5,410	7,585
Accounts receivable (Note 2)	504,408	548,742	Due to Minister of Public Works (Note 3)	23,868	
Due from Minister of Public Works		371,234	Due to Receiver General for Canada (Note 4)	280,535	876,953
				309,813	884,538
			SHAREHOLDER'S EQUITY		
			Capital stock (Note 5)		
			Contributed surplus	178,250	178,250
			Retained earnings	25,160	25,160
	513,223	1,087,948		513,223	1,087,948

Approved by the Board:

JEAN-GUY HÉBERT
Director

CANADA LANDS COMPANY LIMITED—*Concluded*

APPENDIX—*Concluded*

CANADA LANDS COMPANY (VIEUX-PORT DE QUÉBEC) INC.—*Concluded*

NOTES TO THE BALANCE SHEET
AS AT MARCH 31, 1990

1. Authority and activities

Canada Lands Company (Vieux-Port de Québec) inc. was incorporated on April 9, 1981 under the Canada Business Corporations Act and is a wholly-owned subsidiary of Canada Lands Company Limited, a Crown corporation named in Part I of Schedule III to the Financial Administration Act.

Effective August 1, 1981, pursuant to an agreement between the Corporation and Her Majesty in Right of Canada represented by the Minister of Public Works, the Corporation has been responsible for the implementation of a general development plan for the lands of the Vieux-Port de Québec under its jurisdiction and for administering, managing, promoting and operating such lands and their developments. The Corporation fulfilled this responsibility in the name and for the account of the Minister of Public Works who has continued to hold title to the fixed assets for the benefit of Her Majesty.

On May 26, 1988, by order of the Governor General in Council, the Minister of Public Works was authorized to terminate the said agreement. Since April 1st, 1988, the management of the Corporation's affairs is assumed by the Department of Public Works.

From February 9, 1984 to February 27, 1986, the Corporation was responsible for its own account for the management, charge and direction of a parcel of land together with the improvements thereon which had been transferred to it, subject to certain limiting conditions, by order of the Governor General in Council on February 9, 1984. This property was retroceded on February 27, 1986.

2. Accounts receivable

The accounts receivable include the following amounts:

	$
Public services organization	466,430
Others	37,978
	504,408

The amount receivable from the public services organization is for specific work carried out by the Corporation during the year 1982-83. The related cost is recoverable upon the signing of a protocol by the Corporation, the Canada Ports Corporation and the organization. The protocol, not yet signed, provides for the transfer of certain privileges from the Corporation and the Canada Ports Corporation. The Corporation has not yet decided to transfer the privileges requested by the organization. It is possible that the Corporation may not recover the related cost.

3. Due to Minister of Public Works

	$
Balance receivable at beginning of the year	(371,234)
Amount received from the Minister of Public Works	396,602
Payment of claim made for the Department of Public Works	(1,500)
Balance payable at end of the year	23,868

4. Due to Receiver General for Canada

	$
Balance at beginning of the year	876,953
Adjustment to prior rentals following the settlement of a litigation	3,971
Remittances to the Consolidated Revenue Fund	(600,389)
Balance at end of the year	280,535

5. Capital stock

The Corporation is authorized to issue a single share, to be held in trust for Her Majesty in Right of Canada and which may not be transferred without the consent of the Governor General in Council. The authorized share has been issued in consideration of services rendered.

6. Contingencies

The Corporation and the corporation Québec 1534-1984 signed a protocol of general understanding determining the rights and obligations of each party for the staging in 1984 of a festive event and for the use of the site and of the equipment under the jurisdiction of the Corporation. Under the terms of the agreement, the Corporation has not granted the right to use the totality of the site, reserving for itself some premises that it might rent for commercial purposes. Leases were signed but, because of poor attendance, several were modified, cancelled or abandoned. The Corporation has received claims arising from those leases and from other activities, for a total of approximately \$1.4 million, and more may be received. The Department of Public Works assumes the settlement of these claims.

CANADA LANDS COMPANY (MIRABEL) LIMITED

AUDITOR'S REPORT

TO THE MINISTER OF PUBLIC WORKS

I have examined the balance sheet of Canada Lands Company (Mirabel) Limited as at March 31, 1990 and the statements of transactions and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1990 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with Part X of the Financial Administration Act and regulations, the charter and by-laws of the Corporation, as well as the agreement between the Corporation and Her Majesty in Right of Canada represented by the Minister of Public Works.

Raymond Dubois, F.C.A.
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
June 6, 1990

BALANCE SHEET AS AT MARCH 31, 1990

ASSETS	1990	1989
	$	$
Cash	689,608	375,240
Accounts receivable	141,977	146,389
Due from Minister of Public Works (Note 3)		517,399
Mortgage loan receivable (Note 4)	118,650	135,600
	950,235	1,174,628

LIABILITIES	1990	1989
	$	$
Accounts payable	61,681	290,978
Due to Minister of Public Work (Note 3)	32,522	
Due to Department of Public Works	128,858	324,262
Due to Self-supporting Airports and Associated Ground Services Revolving Fund (Note 5)	121,964	
Deposits on sales of properties awaiting approval	200,906	162,897
Due to Receiver General for Canada (Note 6)	404,304	396,491
	950,235	1,174,628
SHAREHOLDER'S EQUITY		
Capital stock (Note 7)		
	950,235	1,174,628

Approved by the Board:

JOCELYNE OUELLETTE
Director

RENÉ FRÉCHET
Director

CANADA LANDS COMPANY (MIRABEL) LIMITED—*Continued*

STATEMENT OF TRANSACTIONS
CARRIED OUT AS AGENT AND ON BEHALF OF
THE MINISTER OF PUBLIC WORKS
FOR THE YEAR ENDED MARCH 31, 1990

	1990	1989
	$	$
Expenditures		
Expenditures incurred for goods received or services rendered		
Operating		
Services provided by the Department of Public Works	715,210	801,859
Property appraisal	409,349	39,355
Establishment of cadastres	340,884	27,053
Professional services	106,324	225,539
Public utilities	65,154	57,358
Materials and maintenance contracts	47,026	62,197
Office supplies	25,378	39,809
General	13,900	34,523
Vehicles and related expenses	8,588	13,404
Rentals	7,956	21,252
Hospitality and public relations	5,332	22,402
	1,745,101	1,344,751
Capital		14,072
	1,745,101	1,358,823
Agricultural investment acceleration program		
Contributions	121,120	2,256,937
Professional services and related expenses	29,910	104,357
	151,030	2,361,294
Grants related to the transfer of properties		500,000
Total of expenditures	1,896,131	4,220,117
Proceeds from other than the direct use of fixed assets		
Interest	101,417	132,530
Net expenditures	1,794,714	4,087,587
Net expenditures to be funded by the Self-supporting Airports and Associated Ground Services Revolving Fund (Note 5)	1,332,236	
Net expenditures to be funded by the Minister of Public Works (Note 3)	462,478	4,087,587
Cumulative net expenditures since April 9, 1981	66,720,812	64,926,098
Proceeds from the direct use of fixed assets		
Sales of properties (after deducting leasehold improvements reimbursed to tenants)	1,430,661	5,339,247
Rentals	151,702	288,542
Total to be remitted (Note 6)	1,582,363	5,627,789
Cumulative direct proceeds since April 9, 1981	69,866,875	68,284,512
Excess of direct proceeds over net expenditure		
For the year	(212,351)	1,540,202
Cumulative since April 9, 1981	3,146,063	3,358,414

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1990

	1990	1989
	$	$
Operating activities		
Transactions carried out as agent and on behalf of the Minister of Public Works		
Proceeds from the direct use of fixed assets	1,582,363	5,627,789
Proceeds from other than the direct use of fixed assets	101,417	132,530
Remittances to the Consolidated Revenue Fund	(1,574,550)	(6,434,782)
Agricultural investment acceleration program	(151,030)	(2,361,294)
Operating expenditures incurred for goods received or services rendered	(1,745,101)	(1,344,751)
Grants related to the transfer of properties		(500,000)
	(1,786,901)	(4,880,508)
Decrease in accounts receivable	4,412	227,083
Decrease in accounts payable	(229,297)	(588,353)
Increase (decrease) in the amount due to Department of Public Works	(195,404)	324,262
Increase (decrease) in deposits on sales of properties awaiting approval	38,009	(405,285)
	(2,169,181)	(5,322,801)
Investing activities		
Decrease in mortgage loan receivable	16,950	16,950
Capital expenditures carried out as agent and on behalf of the Minister of Public Works		(14,072)
	16,950	2,878
Financing activities		
Parliamentary appropriations	1,012,399	4,737,624
Advances received from the Self-supporting Airports and Associated Ground Services Revolving Fund	1,454,200	
	2,466,599	4,737,624
Increase (decrease) in cash during the year	314,368	(582,299)
Cash at beginning of the year	375,240	957,539
Cash at end of the year	689,608	375,240

CANADA LANDS COMPANY (MIRABEL) LIMITED—*Continued*

NOTES TO FINANCIAL STATEMENTS
AS AT MARCH 31, 1990

1. Authority and activities

Canada Lands Company (Mirabel) Limited was incorporated on April 9, 1981 under the Canada Business Corporations Act and is a wholly-owned subsidiary of Canada Lands Company Limited, a Crown corporation named in Part I of Schedule III to the Financial Administration Act.

Effective July 1, 1981, pursuant to an agreement between the Corporation and Her Majesty in Right of Canada represented by the Minister of Public Works, the Corporation is responsible for administering and developing a part of the peripheral lands of Mirabel in order to ensure a normal living environment for residents of the lands while safeguarding the operations of the Mirabel International Airport. The Corporation fulfills this responsibility in the name and for the account of the Minister of Public Works who continues to hold title to the fixed assets for the benefit of Her Majesty. On May 21, 1982, the Privy Council authorized the sale of certain properties; on February 23, 1984, it authorized the disposition of the remaining properties within the territory under its responsibility. On September 19, 1984, a moratorium suspended the sales program; the Privy Council authorized on June 11, 1985 an agricultural investment acceleration program and the resumption of sales under revised terms and conditions, approved by the Treasury Board.

Since March 25, 1988, under the terms of specific service agreements, the Department of Public Works provides the Corporation with personnel and also professional and maintenance services.

Following an agreement between the Minister of Transport and the Minister of Public Works for the management by the latest of the ultimate operational zone of the Mirabel Airport, under the responsibility of the Minister of Transport, the Corporation and the Department of Transport have signed a protocol of understanding for the period April 1, 1989 to March 31, 1991. This protocol of understanding deals with the implementation and administration of a Long-Term Leasing Program and the Agricultural Renewal Program for the ultimate operational zone of Mirabel Airport. The costs incurred for these programs are reimbursed to the Corporation by the Self-supporting Airports and Associated Ground Services Revolving Fund of the Department of Transport.

2. Significant accounting policies

(a) Financial statements presentation

The statements present transactions carried out by the Corporation as agent and on behalf of the Minister of Public Works. All expenditures, net of proceeds from other than the direct use of fixed assets, are reimbursable to the Corporation. Proceeds from the direct use of fixed assets, principally rentals and sales of properties, are payable to the Receiver General for Canada.

Differences between advance payments received and net reimbursable expenditures are recorded in the balance sheet as due from or due to the Minister of Public Works, or due from or due to Self-supporting Airports and Associated Ground Services Revolving Fund, if applicable.

(b) Expenditures of a capital nature

Expenditures of a capital nature represent costs which significantly increase the value or extend the useful lives of properties administered by the Corporation.

(c) Contributions

Financial assistance under the agricultural investment acceleration program is recorded in the expenditures of the year in which the eligible work is carried out.

(d) Sales of properties

Sales of properties are recognized when title passes to buyers and the Corporation is entitled to receive the amount of the proceeds.

3. Due from (due to) Minister of Public Works

	1990	1989
	$	$
Balance at beginning of the year	517,399	1,167,436
Net expenditures	462,478	4,087,587
	979,877	5,255,023
Less:		
Funds drawn from Vote 5 of the Department of Public Works for 1990	(495,000)	
Funds drawn from Department of Public Works for Canada Lands Company (Mirabel) Limited		
Vote 25 in 1989	(752,733)	(4,697,000)
Vote 35 in 1988		(40,624)
Reimbursement of the unused portion of parliamentary appropriations drawn in previous years	235,334	
	(1,012,399)	(4,737,624)
Balance at end of the year	(32,522)	517,399

4. Mortgage loan receivable

The Corporation granted a mortgage loan of $152,550, bearing no interest, to a municipality on the sale of a property. The loan is reimbursable on the basis of nine annual instalments of $16,950 starting from April 1, 1988.

5. Due to Self-supporting Airports and Associated Ground Services Revolving Fund

	1990
	$
Operating expenditures	
Services provided by the Department of Public Works	454,893
Property appraisal	398,030
Establishment of cadastres	339,234
Professional services	53,162
Public utilities	32,577
Materials and maintenance contracts	23,513
Office supplies	12,689
General	6,950
Vehicles and related expenses	4,294
Rentals	3,978
Hospitality and public relations	2,666
	1,331,986
Agricultural investment acceleration program	
Professional services and related expenses	250
	1,332,236
Advance payments received	1,454,200
Due as at March 31, 1990	121,964

CANADA LANDS COMPANY (MIRABEL) LIMITED—*Concluded*

NOTES TO FINANCIAL STATEMENTS
AS AT MARCH 31, 1990—*Concluded*

6. Due to Receiver General for Canada

	1990	1989
	$	$
Balance at beginning of the year	396,491	1,203,484
Direct proceeds	1,582,363	5,627,789
	1,978,854	6,831,273
Remittances to the Consolidated Revenue Fund through		
Department of Public Works	1,429,789	6,434,782
Self-supporting Airports and Associated Ground Services Revolving Fund	144,761	
	1,574,550	6,434,782
Balance at end of the year	404,304	396,491

7. Capital stock

The Corporation is authorized to issue a single share, to be held in trust for Her Majesty in Right of Canada, which may not be transferred without the consent of the Governor General in Council. The authorized share has been issued in consideration of services rendered.

8. Contingencies

Legal action has been instituted against the Corporation, the Attorney General of Canada, the Minister of Transport and the Minister of Public Works by some of the original Mirabel property owners who are asking to have the 1969 expropriation declared invalid. In this context, a number of lessees have ceased to remit their rent to the Corporation. On March 27, 1985, a protocol of understanding was entered into with representatives of the original property owners whereby the parties undertake to discontinue all litigation actions between them. This protocol was approved in principle by the Privy Council on June 11, 1985.

In connection with its regular operations, the Corporation is the defendant in certain pending claims. It is the opinion of management that these claims are not founded and no provision was recorded in that effect.

CANADA MORTGAGE AND HOUSING CORPORATION

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The Management of the Corporation is responsible for establishing and maintaining a system of books, records, internal controls and management practices to provide reasonable assurance that: reliable financial information is produced; the assets of the Corporation are safeguarded and controlled; the transactions of the Corporation are in accordance with the relevant legislation, regulations and by-laws of the Corporation; the resources of the Corporation are managed efficiently and economically and the operations of the Corporation are carried out effectively.

Management is also responsible for the integrity and objectivity of the financial statements. The accompanying financial statements of the Corporation as at December 31, 1989 were prepared by Management in accordance with the accounting policies, consistently applied, as described in the notes to the financial statements. The financial statements of the Corporate Account, Minister's Account, the Mortgage Insurance Fund and other Insurance and Guarantee Funds have been presented separately to preserve their identity and provide meaningful information concerning the Corporaton's distinct business activities. The financial information contained elsewhere in this Annual Report is consistent with that in the financial statements.

The Board of Directors is responsible for ensuring that Management fulfills its responsibilities for financial reporting and internal control. The Board exercises its responsibilities through the Audit Committee which includes a majority of members who are not officers of the Corporation. The Committee meets from time to time with Management, internal audit staff and the independent external auditors to review the manner in which these groups are performing their responsibilities and to discuss auditing, internal controls and other relevant financial matters. The Audit Committee has reviewed the financial statements with the external auditors and has submitted its report to the Board of Directors. The Board of Directors has reviewed and approved the financial statements.

The financial statements have been examined by the joint external auditors, Robert D. Hepburn, C.A. of the firm Deloitte & Touche and the Auditor General of Canada. Their reports offer an independent opinion on the financial statements to the Minister of State (Housing).

George D. Anderson
President and Chief Executive Officer

Gaylen A. Duncan
Senior Vice-President Corporate Resources

FINANCIAL STATEMENTS DECEMBER 31, 1989

Canada Mortgage and Housing Corporation was incorporated as a Crown Corporation by an Act of Parliament on January 1, 1946. Its activities are regulated by the National Housing Act, the Canada Mortgage and Housing Corporation Act and, in certain respects, the Financial Administration Act, and include:

Corporate Account

Financing housing and community improvement through the making of loans and investments under specific conditions at interest rates normally at market rates which are generally higher than the rates it pays on funds borrowed from the Government of Canada. Loans and Investments exist in all three planning elements: Market Housing, Social Housing and Housing Support with the major emphasis (approximately 70%) on Social Housing projects.

Minister's Account

Making certain payments or incurring expenses in the process of delivering housing programs on behalf of the Government of Canada. These payments and expenses include grants, contributions, subsidies, loan forgiveness, losses on real estate, losses under federal-provincial agreements, interest rate losses, research and development, and specified operating costs. The funding for these activities is provided for in Main and Supplementary Estimates which are tabled in Parliament. Parliamentary approval is by way of the Appropriations Act together with Statutory Authorities which authorize the responsible Minister to reimburse the Corporation for the specified payments and expenses for the fiscal year concerned. Grants, contributions and subsidies are delivered within the three planning elements: Market Housing, Social Housing and Housing Support. In these endeavours 90% of the total activity relates to Social Housing initiatives.

Funds Administered

Administering certain Insurance and Guarantee Funds on behalf of the Government of Canada. The Mortgage Insurance Fund is the chief instrument for establishing a framework of confidence for mortgage lending by private institutions. This instrument facilitates an adequate supply of mortgage funds by reducing the risk to lenders and encouraging the secondary market trading of mortgages, and thereby increasing the access to housing by Canadians. The Mortgage Insurance Fund and the Mortgage-Backed Securities Guarantee Fund support Market Housing Initiatives.

CANADA MORTGAGE AND HOUSING CORPORATION—*Continued*

CORPORATE ACCOUNT

AUDITORS' REPORT

TO THE MINISTER OF STATE (HOUSING)

We have examined the balance sheet of the Canada Mortgage and Housing Corporation, Corporate Account as at December 31, 1989, and the statements of operations and reserve fund and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation at December 31, 1989, and the results of its operations and changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with Part X of the Financial Administration Act and regulations, the Canada Mortgage and Housing Corporation Act, the National Housing Act and the by-laws of the Corporation.

Robert D. Hepburn, C.A.
of the firm Deloitte & Touche

Kenneth M. Dye, F.C.A.
Auditor General of Canada

Ottawa, Canada
February 20, 1990

CORPORATE ACCOUNT

BALANCE SHEET DECEMBER 31, 1989
(in thousands of dollars)

ASSETS	1989	1988	LIABILITIES	1989	1988
Loans and investments	9,057,866	9,248,315	Borrowings from the Government of Canada	8,819,075	9,008,451
Accounts receivable	12,327	12,098	Cheques issued in excess of funds on deposit	214,439	132,311
Due from the Minister	120,450	26,044	Accounts payable and accrued liabilities	63,031	56,473
Due from Funds Administered		99	Due to the Receiver General for Canada	61,044	56,895
Deferred income taxes	1,958		Deferred income taxes		2,352
Business premises and equipment	17,254	16,784	Due to Funds Administered	5,020	
Other assets	2,754	3,142		9,162,609	9,256,482
			CAPITAL AND RESERVE FUND		
			Capital		
			Authorized and fully paid by the Government of Canada	25,000	25,000
			Reserve Fund	25,000	25,000
	9,212,609	9,306,482		9,212,609	9,306,482

See accompanying notes.

CANADA MORTGAGE AND HOUSING CORPORATION—*Continued*

CORPORATE ACCOUNT

STATEMENT OF OPERATIONS AND RESERVE FUND
YEAR ENDED DECEMBER 31, 1989
(in thousands of dollars)

	1989	1988
Interest earned	809,475	834,963
Interest expense	759,681	788,435
Margin on financing operations	49,794	46,528
Real estate sales	35,551	76,795
Cost of real estate sold	14,331	27,911
Gain on real estate	21,220	48,884
Other income	21,637	17,995
Income before operating expenses	92,651	113,407
Operating expenses	29,845	25,704
Income before income taxes	62,806	87,703
Income taxes	32,304	37,545
Net income	30,502	50,158
Reserve Fund, beginning of year	25,000	25,000
	55,502	75,158
Transferred to the Receiver General for Canada	30,502	50,158
Reserve Fund, end of year	25,000	25,000

See accompanying notes.

CORPORATE ACCOUNT

STATEMENT OF CHANGES IN FINANCIAL POSITION
YEAR ENDED DECEMBER 31, 1989
(in thousands of dollars)

	1989	1988
Operating activities		
Net income	30,502	50,158
Add: net change in accrued interest	3,080	982
depreciation and amortization	2,802	2,315
writedown of real estate		242
deferred income taxes	(4,310)	8,499
	32,074	62,196
Paid to the Receiver General for Canada	(26,353)	(34,555)
Change in due to/from Funds Administered	5,119	(13,664)
Change in due from the Minister	(94,406)	6,989
Increase in accounts receivable	(229)	(1,178)
Increase in accounts payable	6,558	3,720
Decrease in other assets	388	1,839
	(76,849)	25,347
Investment activities		
Repayment of loans and investments	462,758	468,547
Additions to loans and investments	(277,456)	(251,246)
Additions to business premises and equipment	(3,272)	(3,926)
	182,030	213,375
Financing activities		
Borrowings from the Government of Canada	280,000	269,000
Repayment of borrowings from the Government of Canada	(467,309)	(528,150)
	(187,309)	(259,150)
Decrease in cash	(82,128)	(20,428)

See accompanying notes.

CORPORATE ACCOUNT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1989

1. Basis of presentation

The financial statements of the Corporate Account are presented separately from the Minister's Account, the Mortgage Insurance Fund and other Insurance and Guarantee Funds to preserve its identity and provide meaningful information concerning this component of the Corporation's business activities.

2. Significant accounting policies

In the Corporate Account, the Corporation follows generally accepted accounting principles. The principal accounting policies followed by the Corporation are:

(a) Loans

Loans under certain programs give rise to interest rate losses which are recoverable from the Minister. If loans contain forgiveness clauses, such forgiveness is recorded and recovered from the Minister when the loans are advanced. No provisions are made for possible losses on loans as losses on insured loans are recoverable from the Mortgage Insurance Fund while property acquired upon default of uninsured loans is subject to loss recovery as described under Real Estate. Other losses on uninsured loans are recoverable from the Minister.

(b) Federal-provincial agreements

Loans and investments are made under various cost sharing agreements with the provinces and territories to encourage development of rental housing, land assembly, cooperative housing, rural and native housing and housing rehabilitation. Only the Corporation's share of costs plus capitalized interest are reflected in these statements. The Corporation's share of subsidies and losses related to these agreements are recovered from the Minister. Gains on the sale of land assembly projects are recognized as income in the Corporate Account.

(c) Real estate

Real estate includes vacant land and properties acquired directly by the Corporation, or through the Government of Canada at no cost, or through default on uninsured loans. All real estate is recorded at cost which includes acquisition costs and any modernization and improvement costs.

Holding costs, including interest, on real estate acquired directly by the Corporation are capitalized up to appraised values after which the costs are expensed in the Corporate Account. Gains or losses on the disposal of these properties are recorded in the Corporate Account. Losses resulting from permanent declines in the value of property are recognized in the period in which they are identified.

Holding costs, including interest, on real estate acquired through the Government of Canada at no cost, or through default on uninsured loans, are capitalized. Gains or losses on the disposal of these properties are paid to or recovered from the Minister. All net operating losses on real estate are recovered from the Minister.

(d) Depreciation

Depreciation of buildings included in real estate is recorded on a straight-line basis over the expected useful life of the properties which is normally fifty years.

Depreciation on business premises, office furniture and equipment is recorded on a diminishing balance basis.

CANADA MORTGAGE AND HOUSING CORPORATION—*Continued*

CORPORATE ACCOUNT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1989—*Continued*

(e) Pension costs and obligations

The cost of pension benefits earned by employees is determined using the projected benefit method prorated on service and is charged to operating expense as services are rendered. This cost is actuarially computed using Management's best estimate assumptions of the pension plan expected investment yields, salary escalations, mortality of members, terminations and the ages at which members will retire. Adjustments arising from plan amendments, experience gains and losses and changes in assumptions are amortized over the expected average remaining service life of the employee group.

(f) Reserve Fund

Income or loss after income taxes is transferred to the Reserve Fund which is limited by an Order-in-Council to $25 million. Any excess over this amount is transferred to the credit of the Receiver General for Canada.

(g) Interest income and expense

Interest income and expense are accounted for on the accrual basis.

3. Loans and investments

	1989	1988
	(in thousands of dollars)	
Loans	4,645,961	4,890,300
Federal-provincial agreements		
Loans	2,807,697	2,826,492
Investments in housing projects	1,540,278	1,460,749
Land assembly projects	21,332	27,082
	4,369,307	4,314,323
Real estate		
Investments in housing projects	13,359	15,839
Land	29,239	27,853
	42,598	43,692
Total loans and investments	9,057,866	9,248,315

4. Due from the Minister

In 1989, the Corporation disbursed on behalf of the Minister $1,687.0 million (1988—$1,522.0 million) that was recoverable from Parliamentary Appropriations. During the year the Corporation recovered $1,592.6 million (1988—$1,529.0 million), of which $26.0 million (1988—$33.0 million) is applicable to expenditures of the prior year and $1,566.6 million (1988—$1,496.0 million) is applicable to the current year, leaving a balance due from the Minister of $120.4 million (1988—$26.0 million).

5. Business premises and equipment

	Cost	Accumulated depreciation and amortization	Net book value 1989	Net book value 1988	Depreciation rates
	(in thousands of dollars)				
Land	171		171	358	
Buildings	13,424	6,064	7,360	6,844	5%
Equipment	28,987	20,683	8,304	7,941	8%, 20%, 30%
Leasehold improvements	6,457	5,038	1,419	1,641	20%
Total	49,039	31,785	17,254	16,784	

Depreciation and amortization in respect of the above assets for the year amounted to $2.8 million (1988—$2.3 million).

6. Borrowings from the Government of Canada

The Corporation borrows from the Government of Canada under the provisions of the Canada Mortgage and Housing Corporation Act and the National Housing Act to finance loans and investments. The borrowings are evidenced by debentures or other evidences of indebtedness, which bear interest at rates varying from 2.00% to 17.96% and are repayable over periods not in excess of 50 years. Regularly scheduled payments over the next five years are as follows:

	(in thousands of dollars)
1990	237,500
1991	213,700
1992	223,000
1993	225,500
1994	185,900

7. Contingent liabilities

In the normal course of operations, the Corporation is subject to legal claims, the effect of which cannot be determined until they are settled. During 1982, a large number of legal actions, which total approximately $48.5 million at December 31, 1989, were begun against the Corporation jointly with other parties claiming damages arising from installation of urea formaldehyde foam insulation. In addition, other legal actions totalling $4.1 million are pending. The Corporation does not admit liability in these cases and, until the actions have been heard by the courts, it is impossible to determine if there is a potential liability in this respect and thus no provision for possible loss arising from these legal actions is included in these financial statements. Should costs arise as a result of these actions, they would be expensed in the year when the costs are incurred.

CANADA MORTGAGE AND HOUSING CORPORATION—*Continued*

CORPORATE ACCOUNT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1989—*Concluded*

8. Interest loss recoveries

The Corporation was authorized by the Government of Canada to approve certain loans and investments at a negative interest margin and to recover this loss from the Government. The interest loss recovered is included in interest earnings. The recoveries by program are as follows:

	1989	1988
	(in thousands of dollars)	
Market housing	50,253	60,060
Social housing	19,171	19,234
Housing support	1,037	1,160

9. Interest capitalized

The amount of interest capitalized in 1989 was $3.1 million (1988—$3.9 million).

10. Pension plan

The Corporation maintains a defined benefit pension plan for all employees who satisfy certain eligibility conditions. The plan provides pensions based on the highest annual average salaries of any six-year period multiplied by the number of years of credited service.

The Corporation's funding policy is to contribute the amount required to provide for current benefits attributed to service and for unfunded pension plan liabilities over periods permitted by regulatory authorities.

Based on the actuarial valuation prepared as of January 1, 1990 the status of the plan as at December 31 is as follows:

	1989	1988
	(in thousands of dollars)	
Projected value of accrued pension benefits	441,942	399,272
Net assets available for benefits	447,394	403,661
Excess of net assets over projected value of accrued benefits	5,452	4,389

The cost of pension benefits charged to operating expenses, including amounts paid to government pension plans, current service costs, special 1989 retirement program costs, the amortization of past service costs and experience gains and losses, was $12.1 million in 1989 (1988—$9.6 million).

11. Operating expenses

Total operating expenses of the Corporation for the year ended December 31, 1989 amounted to $208.5 million (1988—$190.4 million), of which $178.6 million (1988—$164.7 million) has been allocated to the Minister's Account and Funds Administered.

12. Commitments

(a) Loans and investments

Commitments outstanding for loans and investments amounted to $273.3 million at December 31, 1989 (1988—$291.8 million).

(b) Operating leases

Minimum future rental commitments for business premises and equipment under long-term non-cancellable leases for the next 5 years are:

	Business premises	Equipment	Total
	(in thousands of dollars)		
1990	8,910	11,113	20,023
1991	5,442	8,092	13,534
1992	3,885	6,902	10,787
1993	3,660	6,555	10,215
1994	1,895	6,188	8,083
	23,792	38,850	62,642

(c) Capital lease

Pursuant to the Corporation's plans to consolidate National Office operations in one location it has entered into a series of agreements pertaining to the construction of a new building on Corporation-owned property at its National Office location. Construction is expected to be completed by July, 1990.

The cost of construction, estimated at $39 million is being financed by way of a 25-year building lease which for accounting purposes is considered a capital lease. Under the lease the Corporation is obligated to make payments of $5.2 million per annum for the first 10 years and $3.6 million per annum for the remaining 15 years of the lease term. Payments will commence on the first day of the month immediately following the month in which the date of completion occurs.

At the termination of the lease the Corporation assumes ownership of the building at a cost of one dollar.

13. Income taxes

Income taxes include $7.7 million pertaining to the Large Corporation Tax which became effective July 1, 1989. Tax is applicable at an annual rate of 0.175% on taxable capital.

CANADA MORTGAGE AND HOUSING CORPORATION—*Continued*

MINISTER'S ACCOUNT

AUDITORS' REPORT

TO THE MINISTER OF STATE (HOUSING)

We have examined the Canada Mortgage and Housing Corporation, Minister's Account—Statement of Expenditures and Recoveries for the year ended December 31, 1989. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, this financial statement presents fairly the expenditures for and recoveries from the Minister for the year ended December 31, 1989 in accordance with the accounting policy described in Note 2 to the financial statement applied on a basis consistent with that of the preceding year.

Robert D. Hepburn, C.A.
of the firm Deloitte & Touche

Kenneth M. Dye, F.C.A.
Auditor General of Canada

Ottawa, Canada
February 20, 1990

MINISTER'S ACCOUNT

STATEMENT OF EXPENDITURES AND RECOVERIES
YEAR ENDED DECEMBER 31, 1989
(in thousands of dollars)

	1989	1988
Expenditures		
Market housing	76,849	76,613
Social housing	1,490,523	1,337,676
Housing support	12,699	11,786
Operating expenses	106,960	95,957
	1,687,031	1,522,032
Due from the Minister, beginning of year	26,044	33,033
	1,713,075	1,555,065
Recoveries	1,592,625	1,529,021
Due from the Minister, end of year	120,450	26,044

See accompanying notes.

MINISTER'S ACCOUNT

NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 1989

1. Basis of presentation

The financial statement of the Minister's Account is presented separately from the Corporate Account, the Mortgage Insurance Fund and other Insurance and Guarantee Funds to preserve its identity and provide meaningful information concerning this component of the Corporation's business activities.

2. Significant accounting policy

Expenditures made on behalf of the Minister of State (Housing) are recorded as recoverable when disbursed. No accruals are made at December 31, 1989 in this account. The year-end for the Government of Canada is March 31, 1990, at which time accruals will be recorded in accordance with Treasury Board Guidelines and reported in the Public Accounts of Canada.

3. Contingent liabilities

In the normal course of operations, the Corporation is subject to legal claims, the effect of which cannot be determined until they are settled. During 1982, a large number of legal actions, which total approximately $48.5 million at December 31, 1989, were begun against the Corporation jointly with other parties claiming damages arising from installation of urea formaldehyde foam insulation. The Corporation does not admit liability in this respect and it is unclear whether costs, if any, arising from these actions could be charged to the Government of Canada. In addition other legal actions totalling $14.2 million are pending against the Corporation to which the Corporation does not admit liability. If these actions were to be successfully maintained against the Corporation, charges against the Minister's Account could result. No provision for possible loss arising from these legal actions is included in the accompanying statement of account. Should costs arise as a result of these actions they would be charged in the year when the costs are incurred.

4. Operating expenses

The operating expenses allocated to the Minister's Account by the Corporation for the year ended December 31, 1989 amounted to $106.9 million (1988—$96.0 million).

CANADA MORTGAGE AND HOUSING CORPORATION—*Continued*

FUNDS ADMINISTERED

AUDITORS' REPORT

TO THE MINISTER OF STATE (HOUSING)

We have examined the balance sheets of the Funds Administered by Canada Mortgage and Housing Corporation: Mortgage Insurance Fund, Mortgage-Backed Securities Guarantee Fund, Home Improvement Loan Insurance Fund and Rental Guarantee Fund as at December 31, 1989, and the statements of operations and deficit or surplus. We have also examined the statements of changes in financial position of the Mortgage Insurance Fund and the Mortgage-Backed Securities Guarantee Fund for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of these funds as at December 31, 1989, and the results of their operations and the changes in their financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with Part X of the Financial Administration Act and regulations, the Canada Mortgage and Housing Corporation Act, the National Housing Act and the by-laws of the Corporation.

Robert D. Hepburn, C.A.
of the firm Deloitte & Touche

Kenneth M. Dye, F.C.A.
Auditor General of Canada

Ottawa, Canada
February 20, 1990

FUNDS ADMINISTERED
MORTGAGE INSURANCE FUND

BALANCE SHEET DECEMBER 31, 1989
(in thousands of dollars)

ASSETS	1989	1988	LIABILITIES	1989	1988
Accounts receivable	1,070	4,545	Accounts payable and accrued liabilities	7,253	9,480
Due from Canada Mortgage and Housing Corporation	4,620		Due to Canada Mortgage and Housing Corporation		592
Investment in securities	728,107	497,609	Provision for claims	203,879	166,937
Mortgages	47,608	40,313	Unearned premiums	592,238	525,966
Real estate	125,086	153,008	Premium deficiency	55,734	108,601
				859,104	811,576
			Surplus (deficit)	47,387	(116,101)
	906,491	695,475		906,491	695,475

See accompanying notes.

CANADA MORTGAGE AND HOUSING CORPORATION—*Continued*

FUNDS ADMINISTERED
MORTGAGE INSURANCE FUND

STATEMENT OF OPERATIONS AND SURPLUS
YEAR ENDED DECEMBER 31, 1989
(in thousands of dollars)

	1989	1988
Revenues		
Earned premiums	135,687	113,959
Application fees	20,821	20,129
Income from investments	61,614	36,649
Other	2,219	6,901
	220,341	177,638
Expenses		
Loss on claims	2,466	53,464
Issuance	48,345	44,119
Operating expenses	21,967	23,335
Adjustment to provision for claims	36,942	(3,110)
	109,720	117,808
Earnings	110,621	59,830
Adjustment to premium deficiency	52,867	82,166
Net earnings	163,488	141,996
Deficit, beginning of year	(116,101)	(258,097)
Surplus (deficit), end of year	47,387	(116,101)

See accompanying notes.

FUNDS ADMINISTERED
MORTGAGE INSURANCE FUND

STATEMENT OF CHANGES IN FINANCIAL POSITION
YEAR ENDED DECEMBER 31, 1989
(in thousands of dollars)

	1989	1988
Operating activities		
Premiums received	201,959	184,325
Application fees	20,821	20,129
Investment income received	56,553	29,213
Claims paid	(111,225)	(127,844)
Proceeds from sales of real estate	117,425	121,175
Operating expenses	(70,759)	(68,015)
Other	10,607	3,985
	225,381	162,968
Investment activities		
Investment in securities	(220,169)	(176,626)
Increase (decrease) in due from Canada Mortgage and Housing Corporation	5,212	(13,658)

See accompanying notes.

FUNDS ADMINISTERED
MORTGAGE-BACKED SECURITIES GUARANTEE FUND

BALANCE SHEET DECEMBER 31, 1989
(in thousands of dollars)

ASSETS	1989	1988	LIABILITIES	1989	1988
Due from Canada Mortgage and Housing Corporation	185	278	Unearned guarantee fees	5,565	2,281
Investment in securities	6,158	1,560	Surplus (deficit)	848	(363)
Deferred operating expenses	70	80			
	6,413	1,918		6,413	1,918

See accompanying notes.

CANADA MORTGAGE AND HOUSING CORPORATION—*Continued*

FUNDS ADMINISTERED
MORTGAGE-BACKED SECURITIES GUARANTEE FUND

STATEMENT OF OPERATIONS AND SURPLUS
YEAR ENDED DECEMBER 31, 1989
(in thousands of dollars)

	1989	1988
Revenues		
Earned guarantee fees	877	331
Application fees	543	261
Income from investments	401	87
	1,821	679
Expenses		
Operating expenses	610	629
	610	629
Net earnings	1,211	50
Deficit, beginning of year	(363)	(413)
Surplus (deficit), end of year	848	(363)

See accompanying notes.

FUNDS ADMINISTERED
MORTGAGE-BACKED SECURITIES GUARANTEE-FUND

STATEMENT OF CHANGES IN FINANCIAL POSITION
YEAR ENDED DECEMBER 31, 1989
(in thousands of dollars)

	1989	1988
Operating activities		
Guarantee fees received	4,161	1,762
Application fees	543	261
Investment income received	222	65
Operating expenses	(600)	(619)
	4,326	1,469
Investment activities		
Investment in securities	(4,419)	(1,538)
	(4,419)	(1,538)
Decrease in due from Canada Mortgage and Housing Corporation	(93)	(69)

See accompanying notes.

FUNDS ADMINISTERED
HOME IMPROVEMENT LOAN INSURANCE FUND

BALANCE SHEET DECEMBER 31, 1989
(in thousands of dollars)

ASSETS	1989	1988
Investment in securities	1,188	1,024
Due from Canada Mortgage and Housing Corporation		42
Mortgages	4	4
	1,192	1,070

LIABILITIES	1989	1988
Due to Canada Mortgage and Housing Corporation	5	
Surplus	1,187	1,070
	1,192	1,070

See accompanying notes.

FUNDS ADMINISTERED
HOME IMPROVEMENT LOAN INSURANCE FUND

STATEMENT OF OPERATIONS AND SURPLUS
YEAR ENDED DECEMBER 31, 1989
(in thousands of dollars)

	1989	1988
Revenues		
Income from investments	123	93
Other	9	40
	132	133
Expenses		
Operating expenses	15	9
Net earnings	117	124
Surplus, beginning of year	1,070	946
Surplus, end of year	1,187	1,070

See accompanying notes.

CANADA MORTGAGE AND HOUSING CORPORATION—*Continued*

FUNDS ADMINISTERED
RENTAL GUARANTEE FUND

BALANCE SHEET DECEMBER 31, 1989
(in thousands of dollars)

ASSETS	1989	1988	LIABILITIES	1989	1988
Investment in securities	3,920	3,480	Accrued liabilities		413
Due from Canada Mortgage and Housing Corporation	220	173	Surplus	15,640	11,540
Real estate	11,500	8,300			
	15,640	11,953		15,640	11,953

See accompanying notes.

FUNDS ADMINISTERED
RENTAL GUARANTEE FUND

STATEMENT OF OPERATIONS AND SURPLUS
YEAR ENDED DECEMBER 31, 1989
(in thousands of dollars)

	1989	1988
Revenues		
Income from investments	409	284
Other	656	620
	1,065	904
Expenses		
Operating expenses	28	13
Provision for revaluation of real estate	(3,063)	(34)
	(3,035)	(21)
Net earnings	4,100	925
Surplus, beginning of year	11,540	10,615
Surplus, end of year	15,640	11,540

See accompanying notes.

FUNDS ADMINISTERED

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1989

1. Basis of presentation

The financial statements of the Mortgage Insurance Fund and the other Insurance and Guarantee Funds are presented separately from the Corporate Account and the Minister's Account to preserve their identity and provide meaningful information concerning these components of the Corporation's business activities.

2. Significant accounting policies

The principal accounting policies followed by the Corporation in administering the Insurance and Guarantee Funds on behalf of the Government of Canada are:

(a) Investment in securities

Investments are carried at amortized cost plus accrued interest.

(b) Mortgages

Mortgages are valued at cost less a provision for estimated losses.

(c) Real estate

Real estate acquired upon the payment of a claim resulting from a loan default is valued at net realizable value. Net realizable value is calculated as the current appraised value of the property, as determined by the Corporation, less the discounted value of estimated holding and disposal costs. Depreciation is not recorded on the real estate.

(d) Provision for claims

This provision represents the estimated loss on claims in process of payment and the estimated loss on loans, where defaults have occurred, but for which claims have not yet been received by the Corporation.

CANADA MORTGAGE AND HOUSING CORPORATION—*Concluded*

FUNDS ADMINISTERED

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1989—*Concluded*

(e) Premium deficiency

Annually, the Corporation compares the amount of its unearned premiums by line of business to the discounted costs of claims that have not yet occurred on insurance policies in force. Whenever it is determined that the unearned premiums on a line of business are inadequate to meet the expected net costs of future claims, a premium deficiency is established. The premium deficiency is taken into income on the same basis as the related unearned premiums.

(f) Premiums

Premiums are deferred and are taken into income over the life of the related policies based on the risk of default in each year.

(g) Guarantee fees

Guarantee fees are deferred and are taken into income over the term of the relative Mortgage-Backed Security issue on a straight-line basis. Issues currently exist for 5-,10- and 20-year terms.

(h) Application fees

Application fees are recognized as income when received.

(i) Investment income

Investment income is recorded on the accrual basis.

(j) Issuance costs

Issuance costs are expensed as incurred.

(k) Income tax

The Insurance and Guarantee Funds are not subject to the provisions of the Income Tax Act, Canada.

3. Investment in securities

(a) Mortgage Insurance Fund

	December 31			
	1989		1988	
	Book value	Market value	Book value	Market value
	(in thousands of dollars)			
Bank deposits			85,359	85,359
Canada Treasury bills	143,062	142,453	339,151	339,151
Promissory notes ..	21,548	21,625		
Government of Canada Bonds	455,166	453,919	73,099	71,319
Mortgage-backed securities	108,331	104,271		
Total	728,107	722,268	497,609	495,829

(b) Other funds

Investments in Treasury bills for the other three Funds at December 31, 1989 collectively amount to $11.2 million (1988—$6.1 million).

4. Contingent liabilities

In the normal course of operations, the Mortgage Insurance Fund is subject to legal claims, the effect of which cannot be determined until they are settled. At December 31, 1989, 12 such claims totalling in aggregate $16.5 million are pending. The Fund does not admit liability and, until the actions have been heard by the courts, it is impossible to determine if there is a potential liability in this respect and thus no provision for possible loss arising from these legal actions is included in these financial statements. Should costs arise as a result of these actions, they would be expensed in the year when the costs are incurred.

5. Actuarial valuation—Mortgage Insurance Fund

An actuarial study of the Fund as at September 30, 1989 disclosed that the Fund is now more than sufficient to pay all future claims in respect of business in force. The surplus as at September 30, 1989 was estimated to be $4.2 million (September 30, 1988—$141.4 million deficit).

6. Insurance in force—Mortgage Insurance Fund

At December 31, 1989, the insurance policies in force totalled approximately $48.6 billion (1988—$44.9 billion).

7. Guarantee in force—Mortgage-Backed Securities Guarantee Fund

At December 31, 1989, the guarantees in force totalled approximately $3.0 billion (1988—$1.2 billion).

8. Home Improvement Loan Insurance and Rental Guarantee Funds

The Home Improvement Loan Insurance and Rental Guarantee Programs are no longer active.

9. Operating expenses

The operating expenses allocated to the Funds by the Corporation for the year ended December 31, 1989 amounted to $71.7 million (1988—$68.7 million).

CANADA MUSEUMS CONSTRUCTION CORPORATION INC.

MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of the Canada Museums Construction Corporation Inc. are the responsibility of management and have been approved by members of the Board of Directors of the Corporation. The financial statements have been prepared by management in accordance with generally accepted accounting principles and, where appropriate, include amounts based on management's estimates and judgement. Management is also responsible for all other information in the annual report and for ensuring that this information is consistent, where appropriate, with the information and data contained in the financial statements.

Management has developed and maintains books of account, records, financial and management controls and information systems. These are designed to provide reasonable assurance that assets are safeguarded and controlled and that transactions are in accordance with Part X of the Financial Administration Act and regulations, and the articles and by-laws of the Corporation.

The members of the Board of Directors carry out their responsibilities for the financial statements principally through an Audit Committee which is composed of three directors, two of whom are not employees of the Corporation. The Audit Committee meets at least annually to review and advise the Board of Directors with respect to the financial statements and the auditor's report thereon. The Audit Committee also oversees the internal audit activities of the Corporation and performs such other functions as are assigned to it.

The independent auditor, the Auditor General of Canada, is responsible for auditing the financial statements and for issuing his report thereon.

R.J. Giroux
Chairman and Chief Executive Officer

R. Plourde
Treasurer and Comptroller

AUDITOR'S REPORT

TO THE MINISTER OF PUBLIC WORKS

I have examined the balance sheet of Canada Museums Construction Corporation Inc. as at March 31, 1990 and the statement of changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1990 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with Part X of the Financial Administration Act and regulations, and the articles and by-laws of the Corporation.

Raymond Dubois, F.C.A.
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
June 1, 1990

BALANCE SHEET AS AT MARCH 31, 1990
(in thousands of dollars)

ASSETS	1990	1989
Cash	886	453
Accounts receivable		
Parliamentary appropriation	4,814	4,700
Government entities (Note 9)	8,760	15,723
Others	17	77
Construction in progress (Schedule)	188,424	156,178
	202,901	177,131

LIABILITIES	1990	1989
Accounts payable and accrued liabilities	9,286	12,481
Contractors' holdbacks payable	6,437	9,177
	15,723	21,658
SHAREHOLDERS' EQUITY		
Capital stock (Note 3)		
Contributed capital (Note 4)	187,178	155,473
	202,901	177,131

Approved by the Board:

R. J. GIROUX
Chairman and Chief Executive Officer

A.D. WILSON
Director

CANADA MUSEUMS CONSTRUCTION CORPORATION INC.—*Continued*

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1990
(in thousands of dollars)

	1990	1989
Operating activities		
Construction in progress (Schedule)	(33,755)	(54,977)
Changes in non-cash assets and liabilities		
Accounts receivable—Government entities end others	7,023	(8,545)
Accounts payable and accrued liabilities	(3,195)	(1,800)
Contractors' holdbacks payable	(2,740)	(327)
	(32,667)	(65,649)
Financing activities		
Parliamentary appropriation (Note 4)	33,100	63,259
Increase (decrease) in cash	433	(2,390)
Cash at beginning of year	453	2,843
Cash at end of year	886	453

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1990

1. Authority and activities

The Corporation was incorporated on June 21, 1982 under the Canada Business Corporations Act as an agent of Her Majesty pursuant to the Government Companies Operations Act, and is named as a parent Crown corporation in Part I of Schedule III to the Financial Administration Act. Two-thirds of the capital stock is held by the Canada Lands Company Limited, also a parent Crown corporation, and one-third by the Minister of Public Works, the Responsible Minister with whom the control of the Corporation lies.

The business of the Corporation is limited to construction, in the National Capital Region, of buildings for the National Gallery of Canada (NGC), the Canadian Museum of Civilization (CMC) (previously known as National Museum of Man) and any other national museum which the Governor in Council may direct, including the acquisition, control, administration and disposal of land required for the construction.

(a) Status of the Corporation

The phasing out of the activities of the Corporation started on April 1, 1990, and will continue until September 30, 1990 when it is anticipated that all employment in the Corporation will be terminated and the current lease for the Corporation's office accomodation will be cancelled. All residual activities of the Corporation will be transferred to the Department of Public Works (DPW) by September 30, 1990.

It is anticipated that the share of the Corporation now held by the Minister of Public Works in trust for Her Majesty in right of Canada will be transferred to Canada Lands Company Limited. Bill C-73, entitled Crown Corporations Dissolution or Transfer Authorization Act, was tabled in the House of Commons on May 31, 1990.

(b) Funding

In September 1981, the Government allocated $185 million for the two projects. This was revised in November 1983 to $191.45 million and subsequent additional increases were approved by Treasury Board as follows:

	$
• October 1985	69.54 million
• January 1987	46.79 million
• July 1987	0.75 million
• November 1987	4.5 million
• June 1988	9.5 million
• May 1989	3.5 million
• December 1989	5.23 million
• February 1990	3.95 million

bringing the total of funds allocated for construction of the museums to $335.21 million for the period to March 31, 1990 as follows:

	NGC	CMC	Total
	(in millions of dollars)		
Construction	121.84	160.48	282.32
Architects and consultants	14.31	24.70	39.01
	136.15	185.18	321.33
Administration expenses	6.28	7.60	13.88
	142.43	192.78	335.21

In January 1987, Treasury Board approved the establishment of a special reserve of $142.8 million to provide the required funding to March 31, 1990 for all agencies (DPW, National Museums of Canada (NMC), National Capital Commission (NCC) and Canada Museums Construction Corporation (CMCC)) involved in completing the Canadian Museum of Civilization. The reserve is to cover all incremental costs associated with completing the Museum, including construction, fit-up, exhibit development and initial operating costs of the Museum. Treasury Board approved a project budget level of $185.2 million to complete construction of the Museum. Any further cost increases are to be absorbed within the reserve and/or from approved funds within the portfolios of the Ministers of Public Works and of Communications.

(c) Construction

In February 1983, the Government approved the construction sites and architects and, in November 1983 building concepts, construction schedule, and funding requirements for each museum. No provision was made for the cost of the sites. Most of the site for the Canadian Museum of Civilization is federally owned with the legal title to the lands currently belonging to the National Capital Commission. In keeping with the intent of the project, which includes the eventual transfer of the completed building to Her Majesty in right of Canada, the Commision disclaims title to the construction in progress. Negotiations by DPW and NCC to acquire two small portions of the site of the Canadian Museum of Civilization that are not federally owned are continuing.

CANADA MUSEUMS CONSTRUCTION CORPORATION INC.—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1990—*Continued*

(d) Transfer of National Gallery of Canada building

During 1988-89, custody and control of the National Gallery of Canada building were transferred from the Corporation to DPW. Accordingly, the construction in progress and contributed capital accounts have been reduced by the net construction cost to March 31, 1990 in the amount of $140.1 million. In accordance with the terms of a draft Memorandum of Understanding between the Corporation and DPW however, the Corporation continues to be responsible to complete certain work items and deficiencies and to resolve outstanding construction claims until June 30, 1990, when all residual matters will be progressively transferred to DPW.

(e) Transfer of Canadian Museum of Civilization building

Subsequent to year-end, in April 1990, custody and control of the Canadian Museum of Civilization building were transfered from the Corporation to DPW. Inasmuch as the transfer occurred after March 31, 1990, no charge was made in the construction in progress and contributed capital accounts. In accordance with the terms of a draft Memorandum of Understanding between the Corporation and DPW however, the Corporation will continue to be responsible to complete certain work items and deficiencies and to resolve outstanding construction and consultant claims until June 30, 1990, when all residual matters will be progressively transferred to DPW.

(f) Authority for Canada Museums Construction Corporation to act as agent for National Museums of Canada

On February 25, 1988, Treasury Board gave approval to amend the contract authority for NMC in Part II of the Treasury Board Contracts Directive to include the following: "The NMC may, without the approval of the Treasury Board, enter into or amend a competitive construction contract related to the fit-up requirements for integration into the base building for the Canadian Museum of Civilization and the National Gallery of Canada provided the total amount payable under each contract does not exceed $2.5 million and any amendments thereof do not exceed $250,000. This authority is only valid for requirements where the CMCC is used as the contracting agent for the NMC".

(g) Fit-up and exhibit development

On June 26, 1987, Treasury Board gave preliminary project approval for fit-up and exhibit development of the Canadian Museum of Civilization at an estimated cost of $75.3 million to March 31, 1990 and expenditure authority of $60 million. On August 29, 1988, expenditure authority for the fit-up was increased to $75 million. In May 1989, expenditure authority for the fit-up was increased to $89 million. The Treasury Board has assigned responsibility for the fit-up and exhibit development to NMC.

An agreement in principal was reached between NMC and CMCC for the Corporation to provide certain services related to the design, supply and installation of elements of the exhibit development and fit-up work and is being provided by the Corporation on a cost recovery basis.

2. Significant accounting policies

(a) Basis of accounting

These financial statements account for the costs incurred by the Corporation in the construction of the museums. They do not account for costs incurred by the NCC for sites or by NMC for accommodation planning and fit-ups.

(b) Capitalization

All expenditures, including those for site evaluation, design, construction and administration, will be capitalized until the museums are completed. Interest, management fees and other income are credited to construction in progress. Costs are allocated directly to each museum when they can be specifically identified. All other costs are allocated equally to the two museums.

3. Capital stock

The Corporation is authorized to issue three shares with a nominal value of $1 which shall not be transferred without the approval of the Governor in Council.

4. Contributed capital

During the year, funding of $33.214 million (1989—$67.959 million) was provided by parliamentary appropriation through Vote 20 of DPW for the expenditures of the Corporation of which $28.4 million was received in the 1989-90 and $4.814 million to be received in 1990-91.

	1990	1989
	(in thousands of dollars)	
Opening balance	155,473	226,097
Parliamentary appropriation	33,214	67,959
Transfer of net cost of NGC building	(1,509)	(138,583)
Ending balance	187,178	155,473

5. Pension plan

The Corporation has instituted, with a private sector organization, a contributory pension plan covering all its regular employees. The employees and the Corporation contribute to the plan. The employees contribute 7.5% of gross earnings up to a maximum of $3,500. The employer's share of contribution is 7.5% of the employees' gross earnings. The Corporation's contributions represent its total liability and are recognized in the accounts on a current basis. Pension costs for the plan amounted to $82,210 for the year ended March 31, 1990 (1989—$79,593).

6. Contractual obligations

As at March 31, 1990, commitments for construction and related costs amounted to approximately $2.1 million as follows:

	(in thousands of dollars)
Canadian Museum of Civilization	2,023
National Gallery of Canada	119
	2,142

CANADA MUSEUMS CONSTRUCTION CORPORATION INC.—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1990—*Continued*

7. Lease commitment

The Corporation has renewed its lease agreement for office space until September 30, 1990. Under the terms of the lease the Corporation is proportionately responsible for payment of operating expenses and taxes to the lessor. The minimum annual rental payment for 1990-91 is $133,000.

8. Contingencies and claims

(a) Claims have been made against the Corporation totalling approximately $13 million for additional fees and other costs. The final outcome of these claims is not determinable and accordingly, these items are not reflected in the accounts. Settlements, if any, resulting from the resolution of these claims will be accounted for in the year in which the settlements occur.

(b) The Corporation has given notice to its architects of possible claims under professional liability insurance policies. These claims are under review. To date actions on certain claims have been taken by the insurers. Architects and insurers have also been notified of the Corporation's position regarding other pending claims. No provision for amounts to be recovered has been made in the financial statements.

9. Related party transactions

(a) Under cost recovery arrangements with DPW, NMC and the NCC, the Corporation receives or provides various services. The following summarizes the transactions:

	Accounts receivable (payable) March 31, 1989	Amounts billed to (from) during 1989-90	Amounts (received) paid during 1989-90	Accounts receivable (payable) March 31, 1990
	(in thousands of dollars)			
Amount receivable				
National Museums of Canada				
Public space fit-up in CMC	13,918	13,503	(18,866)	8,555
Imax/Omnimax Theatre in CMC	1,576	842	(2,251)	167
Other services in CMC	8	136	(144)	
NGC recoveries	48		(48)	
Department of Public Works				
Public utilities for CMC and other services	101	292	(355)	38
National Capital Commission				
Landscaping for NGC and CMC	72	750	(822)	
	15,723	15,523	(22,486)	8,760
Amount payable				
Department of Public Works				
Technical and engineering support services	(458)	(478)	632	(304)

(b) Under an agreement relating to landscaping of both museums with the National Capital Commission, the Corporation has been reimbursed $7.7 million.

(c) The Corporation receives audit and legal services without charge from the Office of the Auditor General of Canada and the Department of Justice of Canada respectively.

CANADA MUSEUMS CONSTRUCTION CORPORATION INC.—*Concluded*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1990—*Concluded*

10. Administration expenditures

The Corporation incurred the following administration expenditures which have been proportionately allocated to each Museum project based on the cost incurred on each project relative to total annual construction costs.

	1990	1989
	(in thousands of dollars)	
Salaries and employee benefits	1,526	1,590
Technical and engineering support	478	409
Office accomodation	362	432
Public information	73	35
Professional and special services	58	53
Office furniture and equipment, net of proceeds from disposal	(53)	17
Communications	39	62
Rental of equipment	34	19
Travel and transportation	16	21
Utilities, material and supplies	14	33
Other	7	11
	2,554	2,682
Less: Management fees charged to NMC	(596)	(950)
	1,958	1,732

11. Comparative figures

Certain comparative figures have been reclassified to conform to the current year presentation.

SCHEDULE OF CONSTRUCTION IN PROGRESS
FOR THE YEAR ENDED MARCH 31, 1990
(in thousands of dollars)

	National Gallery of Canada			Canadian Museum of Civilization			Total		
	Balance to March 31, 1989	1990	Balance to March 31, 1990	Balance to March 31, 1989	1990	Balance to March 31, 1990	Balance to March 31, 1989	1990	Balance to March 31, 1990
Construction costs	112,366	1,102	113,468	116,513	24,723	141,236	228,879	25,825	254,704
Architects and consultants	13,609	366	13,975	22,440	2,121	24,561	36,049	2,487	38,536
Fit-up	8,776		8,776	21,788	13,069	34,857	30,564	13,069	43,633
Construction managers	5,594	6	5,600	7,641	2,027	9,668	13,235	2,033	15,268
Landscaping	5,214	11	5,225	5,900	2,937	8,837	11,114	2,948	14,062
	145,559	1,485	147,044	174,282	44,877	219,159	319,841	46,362	366,203
Administration (Note 10)	7,091	39	7,130	8,397	1,919	10,316	15,488	1,958	17,446
	152,650	1,524	154,174	182,679	46,796	229,475	335,329	48,320	383,649
Less:									
Funding by NMC for fit-up	8,776		8,776	21,788	13,069	34,857	30,564	13,069	43,633
Funding by NCC for landscaping	4,000		4,000	2,950	750	3,700	6,950	750	7,700
Interest income	1,291	15	1,306	1,763	731	2,494	3,054	746	3,800
	14,067	15	14,082	26,501	14,550	41,051	40,568	14,565	55,133
Net cost	138,583	1,509	140,092	156,178	32,246	188,424	294,761	33,755	328,516
Transfer of NGC to DPW (Notes 1(d) and 4)	(138,583)	(1,509)	(140,092)				(138,583)	(1,509)	(140,092)
				156,178	32,246	188,424	156,178	32,246	188,424

CANADA PORTS CORPORATION

AUDITORS' REPORT

TO THE HONOURABLE DOUG LEWIS, P.C., M.P.
MINISTER OF TRANSPORT

We have examined the balance sheet of Canada Ports Corporation as at December 31, 1989 and the statements of income and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1989 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with Part X of the Financial Administration Act and regulations, the Canada Ports Corporation Act and the by-laws of the Corporation.

Coopers & Lybrand
Chartered Accountants

Ottawa, Canada
February 16, 1990

BALANCE SHEET AS AT DECEMBER 31, 1989
(in thousands of dollars)

ASSETS	1989	1988
Current		
Cash	244	348
Investments (Note 3)	32,867	39,925
Accounts receivable	1,793	1,597
Due from Canada	426	2,482
Materials and supplies	264	239
	35,594	44,591
Investments (Note 3)	18,429	18,361
Long-term receivable (Note 4)	299	
Investment in Ridley Terminals Inc. (Note 5)	1	3,083
Fixed assets (Note 7)	36,059	36,894
	90,382	102,929
Interport Loan Fund—Investments (Note 10)	28,568	
	118,950	102,929

LIABILITIES	1989	1988
Current		
Accounts payable and accrued liabilities (Note 8)	4,169	3,908
Grants in lieu of municipal taxes	118	898
Due to Canada (Note 10)		12,668
	4,287	17,474
Accrued employee benefits	1,208	1,171
Loans from Canada (Note 9)	1,319	1,406
	6,814	20,051
EQUITY OF CANADA		
Contributed capital	73,638	73,638
Retained earnings	9,930	9,240
	83,568	82,878
Interport Loan Fund—Contra (Note 10)	28,568	
	112,136	82,878
	118,950	102,929

On behalf of the Board:

THE HONOURABLE A.R. HUNTINGTON
Chairman

JEAN MICHEL TESSIER
President and Chief Executive Officer

CANADA PORTS CORPORATION—*Continued*

STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 1989
(in thousands of dollars)

	1989	1988
Revenue from operations	9,566	7,026
Operating and administrative expenses—Net	8,769	9,288
Depreciation	2,690	2,592
Grants in lieu of municipal taxes	692	1,117
	12,151	12,997
Loss from operations	(2,585)	(5,971)
Investment income	5,369	4,750
Interest expense	(112)	(118)
Income (loss) before the undernoted	2,672	(1,339)
Share in loss of Ridley Terminals Inc. (Note 5)	(3,082)	(4,382)
Adjustement of grants in lieu of municipal taxes (Note 4)	1,174	
Net income (loss)	764	(5,721)
Retained earnings at beginning of the year	9,240	15,087
Dividend to Canada (Note 10)	(74)	(126)
Retained earnings at end of the year	9,930	9,240

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1989
(in thousands of dollars)

	1989	1988
Operating activities		
Net income (loss)	764	(5,721)
Items not affecting cash		
Depreciation	2,690	2,592
Share in loss of Ridley Terminals Inc.	3,082	4,382
Other	24	(218)
Decrease (increase) in operating components of working capital	(11,352)	13,927
Cash provided (required) by operating activities	(4,792)	14,962
Financing activities		
Capital grants	2,754	2,775
Loans from Canada	(87)	(81)
Dividend to Canada	(74)	(126)
Cash provided by financing activities	2,593	2,568
Investing activities		
Additions to fixed assets	(4,739)	(4,353)
Proceeds on disposal of fixed assets	75	30
Long-term receivable	(299)	
Cash required by investing activities	(4,963)	(4,323)
Increase (decrease) in cash and short-term investments	(7,162)	13,207
Cash and short-term investments at beginning of the year	40,273	27,066
Cash and short-term investments at end of the year	33,111	40,273

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1989

1. Canada Ports Corporation Act

Canada Ports Corporation is established under the Canada Ports Corporation Act. The Act provides for the establishment of local port corporations to manage and operate selected ports. The Corporation is named in Part II of Schedule III of the Financial Administration Act and is exempt from income tax.

2. Significant accounting policies

(a) Financial statements

The financial statements of the Corporation include the accounts of the ports and other facilities under its administration, as well as those of the Interport Loan Fund. The activities of the local port corporations are excluded from the financial statements from the date of their establishment.

(b) Investments

The investments are shown at amortized cost whereby premiums or discounts from par value are amortized over the periods to maturity.

(c) Investment in Ridley Terminals Inc.

The investment in Ridley Terminals Inc. is accounted for on the equity basis.

(d) Fixed assets

Fixed assets are recorded at cost except for those transferred to the Corporation from Canada, which are recorded at appraised or fair market value established at the time of transfer. Grants towards capital projects received from Canada and from third parties are deducted from the cost of the related fixed assets.

Depreciation is calculated on the straight-line basis for the full year, commencing with the year the asset becomes operational, using rates based on the estimated useful lives of the assets.

(e) Pension costs

All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions represent the liability of the Corporation for pensions and are recognized in the accounts on a current basis.

(f) Grants in lieu of municipal taxes

The expense for grants in lieu of municipal taxes is based on estimated municipal assessments adjusted in accordance with the Municipal Grants Act. Grants are finalized after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

(g) Employee benefits

The Corporation accrues in its accounts the estimated liabilities for severance pay, annual leave and overtime compensatory leave, which are payable to its employees under its collective agreements, or in accordance with its policy.

3. Investments

Investments, which are direct and guaranteed securities of Canada, are shown at amortized cost. As at December 31, 1989, and 1988, the market value of the current investments approximates their amortized cost. At December 31, 1989, the market value of the long-term investments is $21,080,000 ($20,232,000 in 1988).

CANADA PORTS CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1989—*Continued*

4. Long-term receivable

In 1989, the Municipal Grants Division of Public Works Canada finalized an audit of grants in lieu of municipal taxes. This audit resulted in an adjustment of $1,174,000 in favour of the Corporation for the years 1985 to 1989; $800,000 of which had been accrued in previous years. This accrual has now been reversed and the balance of $374,000 has been set up as a long-term receivable from the Local Government District of Churchill in Manitoba as follows:

	(in thousands of dollars)
Non-interest bearing receivable, recoverable in equal annual instalments over the next five years	374
Less: current portion	(75)
	299

5. Investment in Ridley Terminals Inc.

Ridley Terminals Inc. (RTI) was incorporated on December 18, 1981, under the Canada Business Corporations Act for the purpose of constructing and operating coal terminal facilities on Ridley Island in Prince Rupert, British Columbia. RTI is exempt from income taxes.

RTI's throughput revenue is currently dependent upon the production of two coal producers. The coal producer who currently ships the larger tonnage through RTI's facilities has entered into a price arbitration process with its customers. The results of this arbitration process could have a significant economic impact on the coal producer, which in turn could affect the relations of RTI with this customer. The continued operations of RTI and the current carrying value of its terminal facility are dependent upon a viable level of coal throughput from its customers and continued financial support from the Government of Canada.

At December 31, 1989, the Corporation had acquired 90% of the issued common shares of RTI at a cost of $900, and 100% of its Class A preference shares at a cost of $23,020,500. As of that date, Fednav Limited had acquired 10% of the issued common shares of RTI for $100, and 100% of its Class B preference shares for $23,020,500.

The Class A preference shares carry a fixed cumulative dividend at a rate of 18% per annum on their stated value. The Class B preference shares carry a fixed cumulative dividend at a rate sufficient to net 20% after tax per annum on their stated value. The annual dividend of 20% on the Class B preference shares is a net sum after deducting an amount equal to the prevailing aggregate federal and provincial corporate income and profits taxes applicable to the dividend.

Holders of the Class A and B preference shares are entitled to interest at the respective dividend rates on dividends accrued but not paid. Unpaid interest compounds annually at the same respective rates. Interest has accrued since April 30, 1982. The preference shares are redeemable at any time at their stated value plus accrued dividends and unpaid interest thereon. Preference dividends and related interest in arrears at December 31, 1989, calculated at tax rates prevailing as at that date with respect to the Class B shares amount to:

	1989	1988
	(in thousands of dollars)	
Class A preference shares held by Canada Ports Corporation	48,826	37,452
Class B preference shares held by Fednav Limited	101,937	81,853
	150,763	119,305

The Corporation's investment in RTI is accounted for on the equity basis. Application of this method for years in which RTI has a deficit requires that the Corporation recognize a share of the results of operations of RTI equal to its participation in the total equity of RTI which, at December 31, 1989, was 50%. In 1989 the Corporation's share in the accumulated loses of RTI exceeded the Corporation's net investment. As a result, the investment has been written down to a nominal value of $1,000. For years in which RTI has retained earnings, the Corporation's share of the results of operations will be proportionate to its shareholding in common shares, after recognizing the dividend requirements of the two classes of preference shares.

The investment in Ridley Terminals Inc. is composed of:

	1989	1988
	(in thousands of dollars)	
Balance at beginning of the year	3,083	7,465
Share in loss	(3,082)	(4,382)
Balance at end of the year	1	3,083

A summary of the balance sheet of RTI as at December 31, as reported in its audited financial statements shows:

	1989	1988
	(in thousands of dollars)	
Assets		
Current	3,128	4,772
Fixed	207,735	213,311
Other	447	67
	211,310	218,150
Liabilities		
Current	5,045	3,481
Long-term debt	213,063	207,323
	218,108	210,804
Shareholders' deficiency	(6,798)	7,346
	211,310	218,150

RTI has two long-term financing agreements with a major Canadian bank as follows:

(a) A construction credit loan agreement which is guaranteed unconditionally by Canada and is further secured by a $250,000,000 subordinate fixed and floating charge collateral demand debenture. On July 1, 1985, all borrowings converted to a fifteen year term loan with specified semi-annual repayments commencing July 31, 1991 through January 31, 2000. Interest on any bank loan is at the bank's prime rate, payable monthly. The Bankers' Acceptance fee is currently 1/2% per annum.

(b) A revolving credit loan agreement which provides an $25,000,000 credit facility for advances on a revolving basis until June 30, 1990 at which time all borrowings will convert to a term loan repayable in specified semi-annual instalments commencing July 31, 1990 through January 31, 1993. Interest on the bank loans is at the bank's prime rate plus 1/4% per annum, payable monthly. The Bankers' Acceptance fee is currently 3/4% per annum.

This agreement is secured by a $350,000,000 first fixed and floating charge collateral demand debenture with the terminal facility as security and an assignment of the lease from the Prince Rupert Port Corporation.

CANADA PORTS CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1989—*Continued*

As at December 31, 1989, drawings under these agreements were as follows:

	1989	1988
	(in thousands of dollars)	
(a) Construction credit loan agreement—		
Bankers' acceptances, net of unamortized interest charges	198,399	198,818
(b) Revolving credit loan agreement—		
Bank loans	1,300	1,800
Bankers' acceptances, net of unamortized interest charges	15,464	7,930
	16,764	9,730
	215,163	208,548
Less: current portion of long-term debt	2,100	1,225
	213,063	207,323

Based on the amounts borrowed under the credit facilities as at December 31, 1989, annual principal repayments over the next five years amount to $2,100,000 in 1990, $5,460,000 in 1991, $11,288,000 in 1992, $12,915,000 in 1993 and $14,963,000 in 1994.

The results of operations of RTI for the year ended December 31, 1989, in comparison with the year ended December 31, 1988, are as follows:

	1989	1988
	(in thousands of dollars)	
Revenue from operations	35,769	30,676
Operating and administrative expenses	17,421	12,675
Depreciation	5,947	6,746
Interest expense	26,545	20,020
	49,913	39,441
Net loss	(14,144)	(8,765)

6. Debentures of Saint John Harbour Bridge Authority

The Saint John Harbour Bridge Authority (the Authority) is indebted in the amount of $13,793,000 (1988—$13,921,000) to the Corporation which in turn is indebted to Canada in the same amount, in accordance with the provisions of Vote L106B, Appropriation Act No. 7, 1967, 1967-68, c. 8. The interest and repayment terms of the parliamentary advances to the Corporation are identical to those of the debentures of the Authority. Under the terms of the agreement between Canada and the Authority, Canada, in effect, has guaranteed the repayment of both principal and interest on the debentures. Accordingly, the debentures received have been offset against the advances and loans payable to Canada such that they are not reflected as an asset and a liability on the balance sheet. Interest income and expense of $947,000 (1988—$955,000) have been similarly offset and do not appear in the statement of income and retained earnings.

In 1989, Department of Finance and Treasury Board of Canada proceeded with a submission to assign the debentures of the Authority to Canada and to cancel the related certificates of indebtedness of the Corporation. As at December 31, 1989, the submission was pending approval by Canada.

7. Fixed assets

(a) Summary

	1989				1988
	Depreciation rates	Cost	Accumulated depreciation	Net	Net
	%	(in thousands of dollars)			
Land		4,482		4,482	4,426
Dredging	2.5-6.7	9,488	6,013	3,475	3,801
Berthing structures	2.5-10	34,515	17,689	16,826	17,564
Buildings	2.5-10	16,371	12,184	4,187	3,841
Utilities	3.3-10	2,791	1,428	1,363	1,466
Roads and surfaces	2.5-10	2,273	1,702	571	676
Machinery and equipment	5-100	19,979	15,861	4,118	3,805
Office furniture and equipment	20	3,553	2,759	794	609
Works under construction		243		243	706
		93,695	57,636	36,059	36,894

(b) Capital grants

During the year, the Corporation received capital grants totalling $2,754,000 (1988—$2,775,000) towards the construction of fixed assets.

(c) Capital expenditures commitments

Contractual obligations for the completion, construction and purchase of fixed assets are estimated at $519,000 of which most will be expended in the year ending December 31, 1990.

8. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities are deferred revenues for $679,000 (1988—$467,000) and current portion of long-term liabilities of $87,000 (1988—$81,000).

9. Loans from Canada

	1989	1988
	(in thousands of dollars)	
Loans bearing interest at 6.44% and 9.09%, repayable in blended annual instalments of principal and interest of $193,000 and maturing on December 31, 2000	1,406	1,487
Less: current portion	(87)	(81)
	1,319	1,406

Principal repayment requirements over the next five years amount to $87,000 in 1990, $93,000 in 1991, $100,000 in 1992, $108,000 in 1993 and $116,000 in 1994.

CANADA PORTS CORPORATION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1989—*Concluded*

10. Interport Loan Fund

In 1988, the Treasury Board of Canada authorized that the dividend payments to be made in 1988 and 1989 by Canada Ports Corporation and the local port corporations, be used to establish an interport loan fund (the Fund). The purpose of the Fund is to provide financing for financially viable capital projects of the Corporation and the local port corporations.

As at December 31, 1988, the Corporation held $12,668,000 representing the 1988 dividend payments and interest earned thereon for these corporations, pending approval by Canada. Of this amount, $126,000 represented the dividend paid by Canada Ports Corporation.

In 1989, the Corporation remitted to Canada the $12,668,000 owing and further $13,982,000 representing the 1989 dividend payments and interest earned thereon from Canada Ports Corporation and the local port corporations. Of the latter amount, $74,000 represented the dividend paid by Canada Ports Corporation. At the same time, the Corporation received an equivalent grant from Canada for the establishment of the Fund.

The Fund was created on May 19, 1989, and its balance as at December 31, 1989 is composed of:

	(in thousands of dollars)
Contribution by Canada	26,650
Investment income	1,918
	28,568

The assets of the Fund, which are direct and guaranteed securities of Canada, are shown at amortized cost. As at December 31, 1989 the market value of the investments approximates their amortized cost.

11. Related party transactions

Through common ownership, the Corporation is related to all Government of Canada created departments, agencies and Crown corporations.

In accordance with the Canada Ports Corporation Act, operating and administrative costs incurred by the Corporation in the amount of $6,225,000 have been recovered from the local port corporations in 1989 ($6,511,000 in 1988). These recoveries are offset against the related expenses. In addition, investment income of $5,369,000 ($4,750,000 in 1988) was earned on Government of Canada securities and interest charges of $112,000 ($118,000 in 1988) were paid to Canada.

12. Contingencies

Claims aggregating approximately $1,709,000 in respect of lawsuits, guarantees, employee agreements, damages allegedly suffered on the Corporation's property and sundry other matters in dispute have been received by the Corporation but are not reflected in the accounts. In the opinion of the Corporation, the final outcome of such claims should not result in any material financial liability.

The Corporation assumes all risks with respect to workers'compensation claims. Any costs arising from such claims are recorded in the accounts in the year they can be reasonably estimated.

CANADA POST CORPORATION

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management and the Board of Directors are responsible for the financial statements and all other information presented in this annual report in accordance with the Financial Administration Act and regulations. The financial statements have been prepared by management in accordance with generally accepted accounting principles and, where appropriate, include amounts based on management's estimates and judgement.

Management has developed and maintains books of account, records, financial and management control, and information systems and management practices. These are designed to provide reasonable assurance as to the reliability of financial information, that assets are safeguarded and controlled, and that transactions are in accordance with the Financial Administration Act and regulations as well as the Canada Post Corporation Act and by-laws of the Corporation. Internal audits are conducted to assess these systems and practices.

The Board of Directors ensures that management fulfills its responsibilities for financial reporting and internal control through the Audit Committee, which is composed of six directors, five of whom are not employees of the Corporation. The Audit Committee meets quarterly to oversee the internal audit activities of the Corporation and at least annually to review and advise the Board of Directors with respect to the financial statements and the auditors' annual report.

The Corporation's external auditors, the Auditor General of Canada and Deloitte Haskins & Sells, examine the financial statements and report to the Minister responsible for Canada Post Corporation.

AUDITORS' REPORT

TO THE MINISTER RESPONSIBLE
FOR CANADA POST CORPORATION

We have examined the balance sheet of Canada Post Corporation as at March 31, 1990 and the statements of equity of Canada, operations and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1990 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with Part X of the Financial Administration Act and regulations, the Canada Post Corporation Act and the by-laws of the Corporation.

Kenneth M. Dye, F.C.A.
Auditor General of Canada

Deloitte Haskins & Sells
Chartered Accountants

Ottawa, Canada
May 31, 1990

BALANCE SHEET MARCH 31
(in thousands of dollars)

ASSETS	1990	1989
Current assets		
Cash and short-term investments	378,796	624,600
Accounts receivable	118,369	77,216
Prepaid expenses	56,479	40,093
	553,644	741,909
Fixed assets (Note 4)	1,828,334	1,649,575
Other assets		
Segregated cash and investments (Note 5)	81,782	41,094
Deferred development costs	44,023	
Deferred employee termination benefits (Note 6)		301,309
Collection of postal memorabilia (Note 7)	1	1
	125,806	342,404
	2,507,784	2,733,888

LIABILITIES AND EQUITY OF CANADA	1990	1989
Current liabilities		
Accounts payable and accrued liabilities	242,984	270,198
Salaries and benefits	136,877	185,399
Deferred revenues	177,143	167,980
Outstanding money orders	47,192	48,584
	604,196	672,161
Long-term debt (Note 8)	80,000	80,000
Employee termination benefits	333,492	339,122
EQUITY OF CANADA	1,490,096	1,642,605
	2,507,784	2,733,888

Contingent liabilities (Note 9)

Approved by the Board:

SYLVAIN CLOUTIER
Chairman of the Board

A. E. DOWNS
Chairman of the Audit Committee

CANADA POST CORPORATION—*Continued*

STATEMENT OF EQUITY OF CANADA
YEAR ENDED MARCH 31
(in thousands of dollars)

	1990	1989
Contributed capital		
At beginning of year	1,943,425	1,943,425
Contributed capital adjustment (Note 6)	(588,253)	
At end of year	1,355,172	1,943,425
Retained earnings (Accumulated losses from operations)		
At beginning of year	(13,876)	(110,063)
Net income (1989—Income from operations after amortization of extraordinary restructuring costs)	148,800	96,187
At end of year	134,924	(13,876)
Accumulated extraordinary restructuring costs		
At beginning of year	(286,944)	(221,244)
Additions during the year		(123,529)
Amortization for the year		57,829
Contributed capital adjustment (Note 6)	286,944	
At end of year		(286,944)
Equity of Canada	1,490,096	1,642,605

STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31
(in thousands of dollars)

	1990	1989
Revenue from postal operations (Note 10)	3,579,843	3,411,216
Cost of postal operations	3,473,258	3,313,140
Income from postal operations	106,585	98,076
Other income		
Gain on disposal of fixed assets	118,267	29,332
Interest	57,983	68,086
	176,250	97,418
Other expense		
Restructuring costs	126,119	
Interest	7,916	7,315
Amortization of deferred employee termination benefits		34,163
	134,035	41,478
Income from operations	148,800	154,016
Amortization of extraordinary restructuring costs		57,829
Net income (1989—Income from operations after amortization of extraordinary restructuring costs)	148,800	96,187

STATEMENT OF CHANGES IN FINANCIAL POSITION
YEAR ENDED MARCH 31
(in thousands of dollars)

	1990	1989
Operating activities		
Net income (1989—Income from operations after amortization of extraordinary restructuring costs)	148,800	96,187
Items not requiring cash		
Gain on disposal of fixed assets	(118,267)	(29,332)
Depreciation	111,453	100,603
Accrued employee termination benefits	22,111	22,155
Amortization of deferred employee termination benefits		34,163
Amortization of extraordinary restructuring costs		57,829
	164,097	281,605
Change in non-cash working capital items	(125,504)	35,329
Employee termination benefit payments	(27,741)	(18,505)
	10,852	298,429
Extraordinary restructuring activities		
Extraordinary restructuring costs		(123,529)
Financing activities		
Long-term debt		80,000
Investment activities		
Acquisition of fixed assets	(319,861)	(243,817)
Proceeds on disposal of fixed assets	147,916	51,185
Deferred development costs	(44,023)	
Increase in segregated cash and investments	(40,688)	(41,094)
	(256,656)	(233,726)
Increase (decrease) in cash and short-term investments	(245,804)	21,174
Cash and short-term investments at beginning of year	624,600	603,426
Cash and short-term investments at end of year	378,796	624,600

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1990

1. Incorporation

The Corporation was established by the Canada Post Corporation Act to operate a postal service on a self-sustaining financial basis while providing a standard of service that will meet the needs of the people of Canada. The Corporation is a Crown corporation included in Part II of Schedule III to the Financial Administration Act and is an agent of Her Majesty. The Corporation is exempt from income taxes.

2. Rate regulation

The Canada Post Corporation Act provides that the Corporation may make regulations prescribing rates of postage that are fair and reasonable so as to provide revenue together with any revenue from other sources, sufficient to defray the costs incurred by the Corporation in the conduct of its operations. The Corporation is required to publish each proposed regulation for interested persons to make representations to the Minister responsible for the Corporation, who thereafter submits the regulation to the Governor in Council for consideration and subsequent approval or refusal.

CANADA POST CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1990—*Continued*

3. Significant accounting policies

These financial statements have been prepared in accordance with generally accepted accounting principles. A summary of the significant accounting policies of the Corporation follows:

(a) Fixed assets and depreciation

Land, buildings and equipment transferred from the Government of Canada on incorporation were recorded at their fair value at that date, determined as follows:

Land	—Market value based on existing use
Buildings	—Depreciated replacement cost
Plant equipment, vehicles, sales counter, office furniture and equipment and minor equipment	—Depreciated replacement cost or original cost less estimated depreciation

The market value of land and the depreciated replacement cost of buildings transferred by the Government of Canada were determined by independent appraisals. Acquisitions subsequent to incorporation are recorded at cost.

Depreciation is provided on the straight-line basis over the estimated useful lives of the following assets:

Buildings	30 and 40 years
Plant equipment	4 to 30 years
Vehicles (other than passenger and light duty commercial)	6 to 10 years
Sales counter and office furniture and equipment	5 to 20 years
Minor equipment—Street furniture and containers	5 to 15 years

Depreciation is provided on the diminishing balance basis at an annual rate of 30 per cent for all passenger and light duty commercial vehicles.

(b) Employee termination benefits

Employees of the Corporation are entitled to specified termination benefits, calculated at salary levels in effect at the time of termination, as provided under collective agreements and conditions of employment.

The present value of the projected costs of unpaid employee termination benefits, as determined by actuarial valuation, is recorded in the accounts as a long-term liability.

Such benefits accruing to employees, as well as gains and losses arising from actuarial valuation, are included in current operations.

(c) Revenue recognition

Amounts received for which services have not been rendered prior to the end of the year are deferred.

(d) Pension plan

Employees of the Corporation are covered by the Public Service Superannuation Plan administered by the Government of Canada. Under present legislation, contributions made by the Corporation to the Plan are limited to an amount equal to the employees' contributions on account of current service. These contributions, which amounted to $97,006,000 (1989—$100,198,000), represent the total pension obligations of the Corporation and are included in current operations. The Corporation is not required under present legislation to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account and/or with respect to charges to the Consolidated Revenue Fund for indexation payments under the Supplementary Retirement Benefits Act.

(e) Deferred development costs

Costs incurred in the development of new mail products and the retail postal network are deferred. These costs are amortized on the straight-line basis over the ensuing periods of economic benefit.

(f) Foreign currency translation

Revenues and expenses relating to transactions with foreign postal administrations are translated into Canadian dollars at the exchange rates at the time of transaction.

Amounts due to or from foreign postal administrations at the balance sheet date are translated at the then prevailing exchange rates. Gains or losses arising from translation of foreign currencies are included in current operations.

4. Fixed assets

	1990			1989
	Cost or fair value	Accumulated depreciation	Net	Net
	(in thousands of dollars)			
Land	214,742		214,742	238,953
Buildings	1,136,551	313,856	822,695	814,914
Plant equipment	570,033	224,837	345,196	279,559
Vehicles	119,229	58,921	60,308	54,967
Minor equipment				
Mail bags and lock boxes	28,343		28,343	24,325
Street furniture and containers	167,221	33,192	134,029	89,736
Sales counter and office furniture and equipment	281,080	58,059	223,021	147,121
	2,517,199	688,865	1,828,334	1,649,575

5. Segregated cash and investments

The Corporation has segregated certain cash and investments, recorded at cost, for the purpose only of managing cash flows relating to the employee termination benefits liability.

6. Contributed capital adjustment

Prior to April 1, 1989, with the approval of the Governor in Council, as rate regulator, the Corporation included deferred employee termination benefit costs and accumulated extraordinary restructuring costs in its future operating cost base for puposes of establishing postal rates. These costs were amortized and recovered in postal rates on the basis specified by the regulator.

With the approval of the rate regulator, the April 1, 1989 unamortized balances of these costs that were to have been recovered from future postal users have been eliminated against contributed capital as follows:

	(in thousands of dollars)
Deferred employee termination benefits	301,309
Accumulated extraordinary restructuring costs	286,944
Contributed capital adjustment	588,253

CANADA POST CORPORATION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1990—*Concluded*

7. Collection of postal memorabilia

The Corporation has an agreement with both the National Archives of Canada and the Canadian Museum of Civilization to operate, administer and maintain a Canadian Postal Archives and a National Postal Museum respectively, containing philatelic material, postal artifacts, a postal library and exhibits that trace the history of the mail and other memorabilia. Since these collections, exhibits and books are not for resale and are of undetermined value, they have been recorded at a nominal amount of $1,000.

8. Long-term debt

In 1988, the Corporation entered into a ten-year $80 million loan with the Government of Canada. Interest is payable semi-annually at the rate of 9.705 per cent per annum, and the principal will be repaid on April 27, 1998. Interest expense on long-term debt was $7,764,000 (1989—$7,200,000).

9. Contingent liabilities

(a) With respect to a complaint filed with the Canadian Human Rights Commission, alleging discrimination by the Corporation concerning work of equal value, the Commission's investigation is continuing and the outcome is not presently determinable. Settlement, if any, arising from resolution of this matter will be recovered in future postal rates (as determined in accordance with the Canada Post Corporation Act) and/or from the Government of Canada.

(b) Employees are permitted to accumulate unused sick leave. However, such leave entitlements do not vest and can be used only in the event of illness. The amount of accumulated sick leave entitlements which will become payable in future years cannot reasonably be determined. Payments of sick leave benefits are included in current operations.

10. Payments on behalf of postal users

Where Government policy requires the Corporation to provide services at rates less than cost, to the publications industry, and for Government free mail, literature for the blind and northern air stage services, the Government of Canada compensates the Corporation for foregone postage revenue from those sources. Payments received, amounting to $239,593,000 (1989—$250,593,000), are included in revenue from postal operations.

11. Lease commitments

The Corporation occupies certain facilities under operating leases which expire at various dates between 1991 and 2027. The Corporation's future minimum rental payments required under operating leases that have terms in excess of one year, are as follows:

	(in thousands of dollars)
1991	53,467
1992	43,511
1993	34,828
1994	27,558
1995	17,161
1996 to 2027	38,323
	214,848

12. Related party transactions

The Corporation had the following transactions with related parties in addition to those disclosed elsewhere in these financial statements.

(a) Property management

The Corporation has incurred net operating costs of $191,706,000 (1989—$179,092,000) in respect of a property management arrangement with the Department of Public Works to manage substantially all the Corporation's real property. In addition, capital expenditures amounted to $29,787,000 (1989—$32,736,000).

(b) Interest

The Corporation earned interest in the amount of $1,769,000 (1989—$23,747,000) on its balance in the Consolidated Revenue Fund of the Government of Canada.

(c) Other

In the normal course of business, the Corporation enters into various other transactions with the Government of Canada, its agencies and other Crown corporations. These include the provision of postal services and the purchase of air and rail transportation.

As a result of all the above transactions, the amounts due from and to these parties are $10,696,000 (1989—$4,725,000) and $82,437,000 (1989—$101,056,000) respectively.

13. Subsequent event

On May 10, 1990, the Board of Directors declared a dividend, payable to the Receiver General for Canada on June 29, 1990, in the amount of 40 per cent of net income with respect to the fiscal year ended March 31, 1990. This amounted to $59,520,000.

14. Comparative figures

Comparative figures have been reclassified to conform with the current year's presentation.

CANADIAN BROADCASTING CORPORATION

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The financial statements and all other information presented in this annual report are the responsibility of management and have been approved by the Board of Directors of the Corporation. These financial statements, which include estimates based on the experience and judgement of management, have been properly prepared within reasonable limits of materiality and are in accordance with generally accepted accounting principles.

Management of the Corporation maintains books of account, records, financial and management control, and information systems, which are designed for the provision of reliable and accurate financial information on a timely basis. These controls provide reasonable assurance that assets are safeguarded, that resources are managed economically and efficiently in the attainment of corporate objectives, that operations are carried out effectively and that transactions are in accordance with the former part VIII of the Financial Administration Act and regulations as they apply to the Corporation, the Broadcasting Act and the by-laws of the Corporation.

The Corporation's Internal Auditor has the responsibility for assessing the Corporation's systems, procedures and practices. The Auditor General of Canada conducts an independent examination of the annual financial statements and reports on his examination to the Canadian Broadcasting Corporation and the Minister of Communications.

The Board of Directors' Audit Committee, which consists of three members, none of whom is an officer of the Corporation, reviews and advises the Board on the financial statements and the Auditor General's report thereto. The Audit Committee oversees the activities of Internal Audit and meets with management, the Internal Auditor and the Auditor General on a regular basis.

Gérard Veilleux
President

S. Cotsman
Vice President, Finance and Administration

AUDITOR'S REPORT

TO THE CANADIAN BROADCASTING CORPORATION
AND THE MINISTER OF COMMUNICATIONS

I have examined the balance sheet of the Canadian Broadcasting Corporation as at March 31, 1990 and the statements of income and expense and reconciliation to government funding basis, proprietor's equity account and cash flow for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1990 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in my opinion, proper books of account have been kept by the Corporation, the financial statements are in agreement therewith and the transactions of the Corporation that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with the former Part VIII of the Financial Administration Act and regulations as they apply to the Corporation, the Broadcasting Act and the by-laws of the Corporation.

Kenneth M. Dye, F.C.A.
Auditor General of Canada

Ottawa, Canada
June 8, 1990

BALANCE SHEET AS AT MARCH 31, 1990
(in thousands of dollars)

ASSETS	1990	1989
Current		
Cash and treasury bills	5,630	21,958
Accounts receivable	81,348	74,453
Engineering and production supplies and merchandise	10,983	11,362
Programs completed and in process of production	88,196	88,679
Prepaid film and script rights and other expenses	32,655	32,749
	218,812	229,201
Fixed assets (Note 3)	715,487	631,534
Deferred charges (Note 4)	6,708	8,444
	941,007	869,179

LIABILITIES	1990	1989
Current		
Accounts payable and accrued liabilities	150,701	128,640
Accrued vacation pay	51,676	50,070
	202,377	178,710
Long-term		
Employee termination benefits	104,676	103,704
Advances from Government of Canada (Note 5)	33,000	33,000
Obligations under capital leases (Note 6)	254	1,831
	137,930	138,535
PROPRIETOR'S EQUITY		
Proprietor's equity account	600,700	551,934
	941,007	869,179

The accompanying notes and schedule A are an integral part of the financial statements.

Approved on behalf of the Board of Directors:

S. COTSMAN
Vice-President, Finance and Administration

GÉRARD VEILLEUX
Director

ROBERT KOZMINSKI
Director

CANADIAN BROADCASTING CORPORATION—*Continued*

STATEMENT OF INCOME AND EXPENSE AND RECONCILIATION TO GOVERNMENT FUNDING BASIS FOR THE YEAR ENDED MARCH 31, 1990 (in thousands of dollars)

	1990	1989
Income		
Net advertising	303,323	284,828
Miscellaneous	49,650	33,067
Parliamentary operating appropriation (Note7)	849,335	810,368
	1,202,308	1,128,263
Expense		
National Broadcasting Service (see schedule A)	1,155,673	1,067,815
Radio Canada International, broadcasting service	20,246	19,631
Corporate engineering services	10,098	8,158
Corporate management and services	48,928	49,620
Selling and merchandising	51,368	45,904
Downsizing (Note 14)	19,573	
	1,305,886	1,191,128
Excess of expense over income	103,578	62,865
Reconciliation to government funding basis		
Deduct: Net items not requiring current operating funds (Note 7)	73,921	65,099
Surplus (deficit) for the year (Note 15)	(29,657)	2,234
Surplus, beginning of year	6,567	4,333
Surplus (deficit), end of year	(23,090)	6,567

The accompanying notes and schedule A are an integral part of the financial statements.

SCHEDULE OF NATIONAL BROADCASTING SERVICE FOR THE YEAR ENDED MARCH 31, 1990 (in thousands of dollars) SCHEDULE A

	1990	1989
Program activities		
English language		
Radio		
Network	53,303	48,206
Regional contributions to network	21,264	21,042
Regional	64,086	62,490
Television		
Network	306,638	270,022
Regional contributions to network	61,821	53,177
Regional	116,328	112,861
French language		
Radio		
Network	45,077	42,237
Regional contributions to network	8,522	7,462
Regional	32,843	31,473
Television		
Network	211,881	194,198
Regional contributions to network	18,910	16,679
Regional	55,391	52,138
	996,064	911,985
Distribution activities		
Radio		
Network distribution	23,498	22,286
Station transmission	18,677	19,406
Television		
Network distribution	79,526	76,958
Station transmission	22,323	21,798
Payments to private stations	15,585	15,382
	159,609	155,830
	1,155,673	1,067,815

The accompanying notes are an integral part of the financial statements.

STATEMENT OF PROPRIETOR'S EQUITY ACCOUNT FOR THE YEAR ENDED MARCH 31, 1990 (in thousands of dollars)

	1990	1989
Balance, beginning of year	551,934	507,593
Add (deduct)		
Parliamentary capital appropriations (Note 7)	128,040	100,881
Parliamentary working capital appropriation (Note 7)	4,000	4,000
Gain on disposal of assets	20,304	2,325
Surplus (deficit) for the year	(29,657)	2,234
Net items not requiring current operating funds (Note 7)	(73,921)	(65,099)
Balance, end of year	600,700	551,934

The accompanying notes and schedule A are an integral part of the financial statements.

CANADIAN BROADCASTING CORPORATION—*Continued*

STATEMENT OF CASH FLOW
FOR THE YEAR ENDED MARCH 31, 1990
(in thousands of dollars)

	1990	1989
Operating activities		
Excess of expense over income	(103,578)	(62,865)
Items not involving cash		
Depreciation and amortization	63,780	61,539
Employee termination benefits	971	4,619
Net change in non-cash working capital balances (Note 9)	17,948	(3,902)
Deferred pension contribution	6,208	1,761
	(14,671)	1,152
Financing activities		
Parliamentary capital appropriations	128,040	100,881
Parliamentary working capital appropriation	4,000	4,000
Proceeds on disposal of assets	22,228	4,353
Capital lease obligations assumed		126
	154,268	109,360
Investing activities		
Acquisition of fixed assets	(149,655)	(102,746)
Capital portion of lease payments	(1,798)	(2,019)
Equipment acquired under capital leases		(126)
Newsworld development costs deferred	(4,472)	(1,301)
	(155,925)	(106,192)
Increase (decrease) in cash and treasury bills	(16,328)	4,320
Cash and treasury bills, beginning of year	21,958	17,638
Cash and treasury bills, end of year	5,630	21,958

The accompanying notes and schedule A are an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1990

1. Authority and objective

The Canadian Broadcasting Corporation was established by the 1936, 1958 and 1968 Broadcasting Acts. The Corporation is an agent of Her Majesty and all property acquired by the Corporation is the property of Her Majesty.

The objective of the Corporation is to develop and provide a national broadcasting service for all Canadians in both official languages, in television and radio, and to provide an international service. The television and radio services should be primarily Canadian in content and character.

2. Significant accounting policies

(a) Engineering and production supplies and merchandise

The inventory of engineering and production supplies is stated at the lower of average cost and replacement cost. The inventory of merchandise is stated at the lower of cost and net realizable value.

(b) Programs completed and in process of production

Programs completed and in process of production are stated at cost. Cost includes the cost of goods and services, and the share of labour and overhead expenses applicable to each program.

Program costs are charged to operations as the programs are broadcast or deemed unusable.

(c) Film rights

The Corporation enters into contracts for film broadcasting rights. As payments are made under the terms of each contract they are reflected in the accounts as prepaid film rights. The film rights are charged to operations as the films are broadcast or deemed unusable.

(d) Fixed assets

Fixed assets are recorded at cost. The cost of assets constructed by the Corporation includes material, engineering services, direct labour and related overhead. Depreciation is calculated on the straight-line method using rates based on the estimated useful life of the assets as follows:

Buildings	33 years
Technical equipment	
Transmitters and towers	20 years
Other	10 years
Furnishings and office equipment	10 years
Automotive	5 years
Computers	5 years

Major leasehold improvements are capitalized and amortized over the term of the leases to a maximum period of five years. Amounts included in uncompleted capital projects are transferred to the appropriate fixed asset classification upon completion, and are then depreciated according to the Corporation's policy. Gains and losses on disposals of fixed assets are credited or charged to Proprietor's Equity Account.

(e) Capital leases

Assets recorded as capital leases are amortized on the straight-line method over the estimated useful life of the assets or the lease term as appropriate. Obligations recorded under the capital leases are reduced by lease payments net of imputed interest.

(f) Pension cost and obligation

The Corporation provides pensions based on length of service and final average earnings as classified under defined benefit pension plans.

The cost of pension benefits earned by employees is determined using the projected benefit method of actuarial valuation with projected salary increases where appropriate, pro-rated on services and charged to expense as services are rendered. This cost reflects management's best estimate of the pension fund's expected investment yields, and of salary escalations, mortality of members, terminations and ages at which members will retire. The surplus on the introduction of this accounting policy (effective April 1, 1987), adjustments arising from plan amendments, experience gains and losses and changes in assumptions are amortized over the estimated average remaining service life of the employee group.

The difference between the accumulated amounts expensed and the funding contributions is reflected in the balance sheet as a long term deferred charge or accrual as the case may be.

(g) Employee termination benefits and vacation pay

Employee termination benefits and vacation pay are expensed as benefits accrue to employees under their respective terms of employment.

(h) Parliamentary appropriations

Parliamentary appropriations for operating expenditures are recorded as income. Parliamentary appropriations for capital and working capital are credited to Proprietor's Equity Account.

CANADIAN BROADCASTING CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1990—*Continued*

3. Fixed assets

	1990			1989
	Cost	Accumulated depreciation and amortization	Net book value	Net book value
	(in thousands of dollars)			
Land	35,357		35,357	35,384
Buildings	276,580	123,985	152,595	150,047
Technical equipment	725,891	374,791	351,100	337,768
Furnishings, office equipment and computers	41,519	17,162	24,357	22,931
Automotive	14,331	10,327	4,004	4,123
Leasehold improvements	7,421	4,972	2,449	2,554
Property under capital leases	6,371	4,974	1,397	3,182
Uncompleted capital projects	144,228		144,228	75,545
	1,251,698	536,211	715,487	631,534

4. Deferred charges

(a) Pension expense

Using methods and assumptions identified in the pension cost and obligation accounting policy (2f), projections from the latest actuarial valuations show an estimated present value of accrued pension benefits of $1,768.5 million as at March 31, 1990 (1989—$1,604.0 million). Market related values have been used for valuing pension fund assets which based on financial information as at March 31, 1990 are valued at $1,866.8 million (1989—$1,688.5 million).

The deferred charge as at March 31, 1990 amounts to $0.9 million (1989—$7.1 million) and is the difference between the accumulated pension expense and the required funding contributions.

(b) CBC Newsworld

In the fiscal year 1988-89 the Corporation was granted a license to operate the CBC Newsworld. Total development costs amounting to $6.5 million at August 31, 1989 are being amortized over a five year period commencing September 1, 1989. Amortization for the first seven months amounted to $0.7 million.

5. Advances from Government of Canada

Advances from the Government of Canada are made for working capital purposes and are non-interest bearing. These advances become repayable when cash and treasury bills exceed the Corporation's requirements for working capital.

Working capital is determined on a government funding basis which excludes items not requiring current operating or capital funds.

6. Lease obligations

(a) Existing leases

As at March 31, 1990, the Corporation's obligations related to capital leases and operating leases for terms in excess of one year are as follows:

	Capital leases	Operating leases
	(in thousands of dollars)	
1991	1,609	33,191
1992	422	27,402
1993	8	18,450
1994	1	13,447
1995		7,524
1996-2062		2,830
Total future payments	2,040	102,844
Deduct: imputed interest	279	
Present value of capital lease obligation	1,761	
Deduct: current portion	1,507	
Long-term obligations under capital leases	254	

(b) Broadcast Centre development project, Toronto

In accordance with Governor General in Council approval, the Corporation signed a project agreement, dated September 30, 1988, with Cadillac Fairview Corporation Limited, as the selected developer, for the construction of a building, on the Corporation's site in downtown Toronto, to house the Corporation's Toronto-based operations.

On October 14, 1988, the Corporation entered into a Broadcast Centre agreement to lease with Cadillac Fairview whereby the Corporation will, upon substantial completion of the Broadcast Centre building, estimated to be January 1992, execute a Broadcast Centre leases for the building and underlying lands for an initial period of thirty-five years. The Corporation advances funds against the project to Cadillac Fairview in order to minimize the future interest costs associated with the lease.

The Corporation is committed under this lease to pay rent under all circumstances and, in the event of termination of the lease, at the Corporation's option or otherwise, pay sufficient rent to repay all interim and permanent financing.

7. Parliamentary appropriations

The Corporation receives funds from the Parliament of Canada through annual appropriations. The appropriations approved and the payments received by the Corporation for 1990 and 1989 are noted below.

	1990	1989
	(in thousands of dollars)	
Appropriations		
Operating	849,335	810,368
Capital	128,040	100,881
Working capital	4,000	4,000
	981,375	915,249

CANADIAN BROADCASTING CORPORATION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1990—*Concluded*

The following summarizes the net items not requiring current operating funds.

	1990	1989
	(in thousands of dollars)	
Depreciation and amortization	63,780	61,539
Employee termination benefits and vacation pay	1,369	8,873
Program inventory costs	2,564	(7,074)
Deferred pension cost	6,208	1,761
	73,921	65,099

8. Income tax

The Corporation is a prescribed federal Crown corporation under Part LXXI of the Income Tax Regulations and is subject to the provisions of the federal Income Tax Act. Depreciation and capital cost allowance are not allowable deductions in the determination of the Corporation's taxable income. Therefore, the Corporation may have taxable income even when there is an excess of expense over income in any year.

The Corporation has accumulated losses carried forward for income tax purposes of $36.1 million which has not been recognized in the financial statements. The tax benefits pertaining to this loss carry-forward are available until 1997.

9. Net change in non-cash working capital balances

	1990	1989
	(in thousands of dollars)	
Cash provided by (used for)		
Accounts receivable	(6,895)	288
Engineering and production supplies and merchandise	379	1,038
Programs completed and in process of production	483	(18,763)
Prepaid film and script rights and other expenses	94	(9,140)
Accounts payable and accrued liabilities	22,281	18,621
Accrued vacation pay	1,606	4,054
	17,948	(3,902)

10. Commitments

As at March 31, 1990, commitments for sports rights amounted to $210.8 million; procured programs, film rights and co-productions amounted to $93.7 million for total commitments of $304.5 million.

11. Contingencies

In the ordinary course of business, various claims and lawsuits have been brought against the Corporation. In the opinion of management, the losses, if any, which may result from the settlement of these matters are not likely to be material and accordingly no provision has been made in the accounts of the Corporation.

12. Related party transactions

The Corporation is related in terms of common ownership to all Government of Canada created departments, agencies and Crown corporations and is mainly financed by the Parliament of Canada.

During the year, transactions with these related departments, agencies and Crown corporations were in the normal course of business on normal trade terms applicable to all individuals and enterprises. Transactions with the Parliament of Canada are outlined in Notes 5 and 7.

13. CBC Newsworld

The Corporation operates CBC Newsworld under a licence condition that the operation be reported on an incremental cost/revenue basis. In compliance with the licence condition, incremental revenue of $14.5 million and incremental costs of $13.5 million, for the period September 1, 1989 to March 31, 1990, are being reported separately to the Canadian Radio-television and Telecommunications Commission. These activities are an integral part of the operations of the Corporation.

14. Downsizing

In 1989-90 the Board of Directors approved a workforce adjustment plan to address the budget reductions requested by the Federal Government. The plan involved, among other things, a wind up of the merchandising section of CBC Enterprises, employee terminations and reassignmnents and consolidations within the administration and support areas. Cost incurred in 1989-90 relating to this plan totalled $19.6 million of which $18.0 million related to personnel costs including lay off pay, early retirement incentives, and other related costs; and $1.6 million to the wind up of the merchandising section of CBC Enterprises.

15. Deficit for the year on a government funding basis

The deficit for the year of $29.7 million related primarily to the total expenditures requiring current operating funds of $23.5 million associated with the implementation of the workforce adjustment plan-downsizing. Of the total cost associated with this plan, $19.6 million was incurred in the 1989-90 fiscal period while the balance of $3.9 million represents employee termination benefits accrued and expensed as items not requiring current operating funds to the end of the previous fiscal period.

16. Comparative figures

Certain of the 1989 comparative figures have been reclassified to conform to the current year's presentation.

CANADIAN COMMERCIAL CORPORATION

AUDITOR'S REPORT

TO THE MINISTER FOR INTERNATIONAL TRADE

I have examined the balance sheet of the Canadian Commercial Corporation as at March 31, 1990 and the statements of operations and retained earnings and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards in Canada, conforming with International Auditing Guidelines, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1990 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles in Canada, conforming with International Accounting Standards, applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with Part X of the Financial Administration Act and regulations, the Canadian Commercial Corporation Act and by-laws of the Corporation.

D. Larry Meyers, F.C.A.
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
June 13, 1990

BALANCE SHEET AS AT MARCH 31, 1990
(in thousands of dollars)

ASSETS	1990	1989
Cash and short-term deposits	206,088	114,766
Accounts receivable		
Foreign governments (Note 5)	85,622	101,509
Government of Canada—Parliamentary appropriation (Note 6)	1,814	1,763
Other	1,771	739
Advances to suppliers	125,566	115,498
Progress claims paid or due	408,961	352,039
	829,822	686,314

LIABILITIES	1990	1989
Accounts payable and accrued liabilities	89,928	113,742
Advances from customers	283,434	178,619
Progress payments received or due	410,173	352,671
Due to Government of Canada (Note 6)	1,473	2,096
Provision for additional contract costs (Note 3)	3,842	4,646
	788,850	651,774
Employee termination benefits	920	773
Contingencies (Note 4)		
	789,770	652,547
EQUITY OF CANADA		
Contributed surplus	20,000	20,000
Retained earnings	20,052	13,767
	40,052	33,767
	829,822	686,314

Certified correct:

F. O. KELLY
Comptroller

Approved by the Board:

H. J. MULLINGTON
President

J. CAMILLE GALLANT
Director

CANADIAN COMMERCIAL CORPORATION—*Continued*

STATEMENT OF OPERATIONS AND RETAINED EARNINGS
FOR THE YEAR ENDED MARCH 31, 1990
(in thousands of dollars)

	1990	1989
Revenues		
Contract billings	681,423	638,974
Interest income	7,078	4,844
Other income	1,287	1,480
	689,788	645,298
Expenses		
Cost of contract billings	681,423	638,974
Additional contract costs	279	1,167
Services provided by Supply and Services Canada (Note 8(a))	7,798	7,914
Administrative	9,562	7,551
Legal fees and expenses (Note 8(b))	314	179
Other	351	483
	699,727	656,268
Net cost of operations	9,939	10,970
Parliamentary appropriation (Note 6)	17,089	15,297
	7,150	4,327
Retained earnings at beginning of the year	13,767	9,440
Payment to Government of Canada (Note 7)	(865)	
Retained earnings at end of the year	20,052	13,767

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1990
(in thousands of dollars)

	1990	1989
Financing activities		
Parliamentary appropriation		
Amount drawn down	17,089	15,297
Adjusted for increase in receivable from Government of Canada	(51)	(1,726)
Payment to Government of Canada	(865)	
Cash provided by financing activities	16,173	13,571
Operating activities		
Operations		
Net cost of operations	(9,939)	(10,970)
Net changes in non-cash balance sheet items		
Operating balances from customers and to suppliers	(10,239)	12,695
Advances and progress claims from customers and to suppliers	95,327	24,971
Cash provided by operating activities	75,149	26,696
Increase in cash and short-term deposits	91,322	40,267
Cash and short-term deposits at beginning of year	114,766	74,499
Cash and short-term deposits at end of year	206,088	114,766

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1990

1. Nature, organization and funding

The Corporation was established in 1946 by the Canadian Commercial Corporation Act and is an agent Crown Corporation listed in Part I of Schedule III to the Financial Administration Act.

The Corporation acts as the prime contracting agency when other countries and international organizations wish to purchase products and services from Canada on a government-to-government basis. Contracts are made with foreign governments and international organizations and corresponding supply contracts are entered into with Canadian firms by the Corporation (see Note 3).

The Governement has provided the Corporation with $20 million as contributed surplus. The Corporation has authority to draw loans from Consolidated Revenue Fund in amounts up to a total of $10 million as required to supplement its working capital. Annually, the Corporation seeks funding for its operation through parliamentary appropriation (see Note 6).

2. Significant accounting policies

These financial statements are prepared in accordance with generally accepted accounting principles in Canada, consistently applied, and conform in all material respects with international accounting standards. A summary of significant policies follows:

(a) Contracts

Revenues from contracts are recorded at the time of delivery except in the case of contracts involving progress payments; in these cases, revenues are recorded at the time the progress payments are billed to customers. Since title to work-in-progress covered by progress claims has not passed to customers, the Corporation sets up a corresponding liability and cost of contract billings. The Corporation records all progress claims by its suppliers as assets. These assets and liabilities are reduced, in accordance with contract terms, as deliveries are accepted.

The cumulative effect of changes in the estimated cost of uncompleted contracts is recorded in the statement of operations in the year when the change is first determined.

(b) Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the year-end exchange rates. Revenues and expenses are translated at the average exchange rates for the month in which the transactions occur.

Contracts with foreign governments and corresponding contracts with Canadian suppliers are generally entered into in the same currency, or alternatively, the contract terms in the supplier contract pass the risk to the supplier. This reduces the Corporation's contractual exposure to losses or gains due to fluctuations in foreign exchange.

The Corporation maintains some working capital in U.S. currency to facilitate the cash flow between foreign customers and Canadian suppliers.

CANADIAN COMMERCIAL CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1990—*Continued*

(c) Pension plan

Employees of the Corporation are covered by the Public Service Superannuation Plan administered by the Government of Canada. Under present legislation, contributions made by the Corporation to the Plan are limited to an amount equal to the employee's contributions on account of current service. These contributions represent the total pension obligations of the Corporation and are charged to operations on a current basis. The Corporation is not required under present legislation to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account and/or with respect to charges to the Consolidated Revenue Fund for indexation payments under the Supplementary Retirement Benefits Act.

(d) Employee termination benefits

Employees of the Corporation are entitled to specified termination benefits, calculated at salary levels in effect at the time of termination, as provided for under collective agreements and conditions of employment. The liability for these benefits is recorded in the accounts as the benefits accrue to employees.

(e) Income taxes

The Corporation is not subject to income taxes.

(f) Fixed assets

Fixed assets are expensed as their costs are not recovered through future operations.

3. Contractual obligations

The Corporation is obligated to fulfil numerous contracts with foreign customers. These contracts range in value up to approximately $500 million. The total contract value remaining to be fulfilled approximates $1.4 billion as at March 31, 1990 (1989—$1.3 billion).

The Corporation may incur additional contract costs should suppliers not fulfil the terms of their contracts. As of March 31, 1990, the Corporation has a provision of $3,842,000 (1989—$4,646,000) for additional contract costs, which may be incurred if certain suppliers are unable to meet their contractual obligations.

Two suppliers holding major contracts with the Corporation are experiencing financial difficulties. It can reasonably be estimated that the Corporation is liable for certain additional contract costs, and this liability has been included in the provision for additional contract costs. Contingent upon the need to re-procure, the Corporation may be contingently liable to incur certain costs (which could range up to some seven million dollars) to fulfil its obligations.

4. Contingencies

The Corporation is involved in a number of legal actions, three of which are material in nature.

(a) The Corporation has been named as defendant in a claim instituted in 1975 alleging losses resulting from the termination of a portion of a contract and seeking damages of $6.8 million plus accrued interest and costs. Although the Court ruled in 1989 in favor of the Corporation on the determination of one major issue in dispute between the parties, as of March 31, 1990, the claim has not been fully resolved. Based on the advice of legal counsel, management is of the opinion that no provision for possible loss in respect of this matter is required.

(b) The Corporation has been named as defendant in a claim instituted in 1985, alleging losses resulting from a breach of contract by the Corporation and seeking damages of $876,000. Based on the advice of legal counsel, management is of the opinion that no provision for possible loss in respect of this matter is required.

(c) The Corporation has been named as respondent in proceedings commenced against it in 1987 in which a supplier claimed that the fee for service system implemented by the Corporation in 1986 did not apply to a transaction between this supplier and the Corporation. The Corporation is appealing the judgement of the Court of first instance rendered in early 1990 which, inter alia, granted this supplier's motion. If the findings of the Court were to be upheld by higher courts, an amount of approximately one million dollars could be claimed from the Corporation. Following a review of the reasons for the judgement of the Court and of the law by counsel, management is of the opinion that no provision for possible loss in respect of these proceedings is required.

5. Accounts receivable from foreign governments

As at March 31, 1990, the Corporation has provided $943,000 (1989—$959,000) to cover the possible non-collection of certain accounts receivable from foreign governments.

6. Parliamentary appropriation

For the fiscal year 1989-1990, Parliament approved an appropriation amount of $20,089,000 (1989—$18,651,000). The Corporation drew down $17,089,000 (1989—$15,297,000). The amount of the draw-down includes amounts due to government departments as at March 31, 1990 of $1,473,000 (1989—$2,096,000). As at March 31, 1990, funds to cover expenses of $1,814,000 (1989—$1,763,000) applicable to 1989-90 appropriation, had not been drawn down.

7. Payment to Government of Canada

During the year ended March 31, 1990, the Corporation approved the payment of $865,400 to the Government of Canada. The Corporation considered that this amount was not required for future operations. Subsequent to March 31, 1990, the Board of Directors approved a similar payment of $1,430,000 to the Gorvernment of Canada.

8. Services provided by the Government of Canada

(a) Supply and Services Canada

Supply and Services Canada provides contracting services to the Corporation at predetermined rates approved by Treasury Board, based on the amounts of contracts procured, and provides certain administrative functions at cost.

(b) Department of Justice

The Department of Justice represents the Corporation in certain matters. The Corporation pays for amounts billed by Justice related to legal fees and expenses incurred in connection with specific actions but not for general legal services.

CANADIAN COMMERCIAL CORPORATION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1990—*Concluded*

9. Insurance

The Corporation follows the practice of self insuring.

10. Commitments

Effective April 1986, the Corporation entered into a ten-year lease agreement for office space. The lease payments for the next five years, and in total, will approximate the following:

	(in thousands of dollars)
1991	961,000
1992	1,009,000
1993	1,059,000
1994	1,112,000
1995	1,168,000
	5,309,000

11. Comparitive figures

Certain 1989 figures have been reclassified to conform with the current year presentation.

CANADIAN DAIRY COMMISSION

THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JULY 31, 1990
WERE NOT AVAILABLE AT DATE OF PRINTING

CANADIAN DAIRY COMMISSION—*Continued*

MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS

The financial statements of the Canadian Dairy Commission and all information in this annual report are the responsibility of management. The statements have been prepared in accordance with generally accepted accounting principles which have been consistently applied, using management's best estimates and judgements, where appropriate. Financial information presented elsewhere in the annual report is consistent with the statements.

In discharging its responsibility for financial reporting, management maintains and relies on financial and management control systems and practices which are designed to provide reasonable assurance that transactions are authorized, assets are safeguarded and proper records are maintained. These controls and practices ensure the orderly conduct of business, the accuracy of accounting records, the timely preparation of reliable financial information and the adherence to Commission policies and statutory requirements.

The Audit Committee, which is made up of the Commission's three Commissioners, oversees management's responsibilities for maintaining adequate control systems and the quality of financial reporting. The Commission's external auditors and those conducting its internal audits have free access to the Audit Committee to discuss the results of their work and to express their concerns and opinions.

The financial statements have been audited by the Auditor General of Canada, the independent auditor for the Government of Canada.

Roch Morin
Chairman

Paul Simard
Director of Finance

AUDITOR'S REPORT

TO THE MINISTER OF AGRICULTURE

I have examined the balance sheet of the Canadian Dairy Commission as at July 31, 1989 and the statements of operations and financing by producer levies and the statement of dairy support program and costs financed by the Government of Canada for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Commission as at July 31, 1989 and the results of its operations for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Commission that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with Part X of the Financial Administration Act and regulations, the Canadian Dairy Commission Act and the by-laws of the Commission.

D. Larry Meyers, F.C.A.
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
October 6, 1989

BALANCE SHEET AS AT JULY 31, 1989
(in thousands of dollars)

ASSETS	1989	1988
Accounts receivable		
Trade	789	23,084
Government of Canada	44,157	52,271
Producer levies	55,195	64,773
Inventories (Note 4)	142,595	82,656
	242,736	222,784

LIABILITIES	1989	1988
Accounts payable and accrued liabilities	42,533	44,524
Direct support payments payable to producers	43,791	51,837
Allowance for losses on disposal of surplus production	17,007	8,766
Loans from Government of Canada (Note 5)	114,250	87,363
	217,581	192,490
EXCESS OF FINANCING BY PRODUCER LEVIES		
Excess of financing over net cost of operations (Note 9)	25,155	30,294
	242,736	222,784

The accompanying notes and schedule are an integral part of these financial statements.

Approved:

ROCH MORIN
Chairman

KENNETH McKINNON
Vice-Chairman

PAUL SIMARD
Director of Finance

CANADIAN DAIRY COMMISSION—*Continued*

STATEMENT OF OPERATIONS AND FINANCING
BY PRODUCER LEVIES
FOR THE YEAR ENDED JULY 31, 1989
(in thousands of dollars)

	1989	1988
Export sales	156,790	127,750
Cost of goods sold	208,137	240,159
Loss on export sales	51,347	112,409
Domestic sales	43,321	53,388
Cost of goods sold	41,601	52,413
Margin on domestic sales	(1,720)	(975)
Total loss on sales	49,627	111,434
Assistance and expenses	108,514	103,407
Total cost of operation	158,141	214,841
Less operating costs financed by the Government of Canada		
Administrative expenses	4,694	4,435
Carrying charges	2,920	2,126
	7,614	6,561
Net cost of operations financed by producer levies	150,527	208,280
Financing by producer levies (Note 3)	172,281	215,329
Excess of financing over net cost of operations	21,754	7,049
Excess at beginning of year	30,294	23,245
	52,048	30,294
Refunds of excess	26,893	
Excess at end of year	25,155	30,294

The accompanying notes and schedule are an integral part of these financial statements.

STATEMENT OF DAIRY SUPPORT PROGRAM AND COSTS
FINANCED BY GOVERNMENT OF CANADA
FOR THE YEAR ENDED JULY 31, 1989
(in thousands of dollars)

	1989	1988
Direct support payments to producers of industrial milk and cream	279,593	283,092
Administrative expenses	4,694	4,435
Carrying charges	2,920	2,126
Cost of production studies	303	593
Total costs financed by the Government of Canada	287,510	290,246

The accompanying notes and schedule are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS
JULY 31, 1989

1. The Commission

The Canadian Dairy Commission (the "Commission") is an agent Crown corporation named in Part I, Schedule III to the Financial Administration Act and is not subject to the provisions of the Income Tax Act. The objectives of the Commission, as established by the Canadian Dairy Commission Act, are "to provide efficient producers of milk and cream with the opportunity of obtaining a fair return for their labour and investment and to provide consumers of dairy products with a continuous and adequate supply of dairy products of high quality".

The Commission administers the dairy support program financed by the Government of Canada, under which it makes direct support payments to producers. In cooperation with the Canadian Milk Supply Management Committee (CMSMC), which it chairs, the Commission undertakes the management and administration of operations financed by producer levies.

The Commission purchases, at Canadian support prices, all butter and skim milk powder tendered to it. While most of the butter purchased by the Commission is later resold in the domestic market, most of the skim milk powder is in excess of domestic needs and is exported. The Commission sells production surplus to domestic requirements in the form of whole milk products, skim milk powder and butter on international markets at the prevailing world prices. Historically, these prices have usually been lower than Canadian support prices. The Commission also pays assistance to processors and exporters to assist them in disposing of dairy products directly.

2. Significant accounting policies

Foreign currency translation

Sales and receivables in foreign currencies are hedged by currency conversion agreements and are translated into Canadian dollars at the exchange rates provided therein.

Inventories

Inventories are valued at the lower of cost or estimated net realizable value.

Allowance for losses on disposal of surplus production

The Commission establishes an allowance for losses on disposal of surplus production by reference to its outstanding purchase commitments, actual butter inventory levels relative to the normal levels determined by the Commission and world market prices.

Excess of financing over net cost of operations

In accordance with the National Milk Marketing Plan, the treatment of any excess of financing by producer levies over the net cost of operations is determined by the Canadian Milk Supply Management Committee. Refunds are recorded in the year declared.

3. Financing

Government of Canada

The Agricultural Stabilization Board provides financing to the Commission for direct support payments to producers of industrial milk and cream (referred to as "subsidies to producers" in the 1989-90 Main Estimates) and for the carrying charges associated with skim milk powder. The Commission's administrative expenses and professional services relating to cost of production and other studies are financed by the Government of Canada.

CANADIAN DAIRY COMMISSION—*Continued*

NOTES TO FINANCIAL STATEMENTS
JULY 31, 1989—*Concluded*

As a result of the April 1989 Budget, effective August 1, 1989, the federal funding of the Commission's administrative expenses associated with the export of dairy products and of the carrying charges for skim milk powder will cease. In addition, the federal funding of $6.03 per standard hectolitre direct support payment on 1.1 million hectolitres of Special Export Program industrial milk production was discontinued on July 31, 1989.

Producers levies

Producers are responsible for all costs of operations not financed by the Government of Canada. These costs are financed through levies established by the CMSMC, charged and collected by the provincial marketing boards and agencies and remitted to the Commission.

Producer levies are comprised of:

	1989	1988
	(in thousands of dollars)	
Industrial milk		
In-quota levies	131,322	175,365
Over-quota levies	32,926	31,894
	164,248	207,259
Fluid milk	8,033	8,070
Total	172,281	215,329

Industrial milk levies include an amount to cover all eligible costs associated with normal butter inventory levels determined by the Commission. The excess (deficiency) of financing over these eligible costs for the year amounted to ($0.6) million (1988—$2.3 million). The cumulative excess at year end amounted to $2.9 million (1988—$3.5 million), and is included with the excess of financing over net cost of operations and will be applied to future eligible costs associated with normal butter inventory levels.

4. Inventories

Inventories are comprised as follows:

	1989	1988
	(in thousands of dollars)	
Cost		
Butter	91,229	62,930
Skim milk powder	67,032	22,598
Other dairy products	12,373	15,624
	170,634	101,152
Less allowance for write down		
Butter (unsalted only)	8,038	
Skim milk powder	15,294	10,292
Other dairy products	4,707	8,204
	28,039	18,496
Net book value	142,595	82,656

5. Loans from Government of Canada

Loans from Government of Canada, to a maximum of $300 million, are available to finance operations. There are no specific terms of repayment. Principal and accrued interest, however, are repaid on a regular basis as and when funds are available. The interest rates during the year varied from 8.995% to 12.888% (1988—7.231% to 9.478%).

Loan transactions for the year are summarized as follows:

	1989	1988
	(in thousands of dollars)	
Balance at beginning of year	87,363	85,166
Borrowings	278,222	279,684
Payments	(251,335)	(277,487)
Balance at end of year	114,250	87,363
Accrued interest at end of year	2,302	710

6. Representatives' fees

The Commission has used the services of representatives for the sale of dairy products on the export market. Their fees, which are included in cost of goods sold, are as follows:

	1989	1988
	(in thousands of dollars)	
Coopérative Fédérée de Québec, Canada	1,001	631
Intercontinental, Mexico	1,000	1,026
Gestion Y. Dessarrollo—Commercial S.A., Peru	259	557
Canada Expa (1980) Inc., Canada		4
Total	2,260	2,218

7. Purchase commitments

As at July 31, 1989, the Commission was committed to purchase butter and skim milk powder produced prior to that date at Canadian support prices and other dairy products produced prior to that date at negotiated contract prices. These commitments amounted to approximately $15.3 million (1988—$14.4 million).

8. Related party transactions

Included in export sales is an amount of $8.6 million (1988—$11.5 million) of sales to the Canadian International Development Agency. These sales were carried out in the normal course of business and at the Commission's established sales prices.

In addition, government departments provided the Commission with certain administrative services without charge.

9. Subsequent event

In accordance with the decision of the CMSMC at its meeting of September 26, 1989, the excess of financing as at July 31, 1989, excluding the cumulative excess of financing over all eligible costs associated with normal butter inventory levels of $2.9 million, will be refunded to the provinces.

10. Financial statement presentation

A statement of changes in financial position has not been included because, in the opinion of management, it would not provide any meaningful additional information. In addition, certain comparative amounts have been reclassified to conform with the presentation adopted in the current year.

CANADIAN DAIRY COMMISSION—*Concluded*

SCHEDULE OF OPERATIONS BY PRODUCTS
FOR THE YEAR ENDED JULY 31, 1989
(in thousands of dollars)

	1989					1988				
	Butter	Skim Milk Powder	Evaporated Milk	Other Products*	Total	Butter	Skim Milk Powder	Evaporated Milk	Other Products*	Total
Export sales	355	113,477	15,555	27,403	156,790	1,177	91,913	14,649	20,011	127,750
Cost of goods sold	528	146,462	19,691	41,456	208,137	6,211	170,472	22,122	41,354	240,159
Loss on export sales	173	32,985	4,136	14,053	51,347	5,034	78,559	7,473	21,343	112,409
Domestic sales	43,321				43,321	53,388				53,388
Cost of goods sold	41,601				41,601	52,413				52,413
Margin on domestic sales	(1,720)				(1,720)	(975)				(975)
Total loss on sales	(1,547)	32,985	4,136	14,053	49,627	4,059	78,559	7,473	21,343	111,434
Assistance and expenses										
Dairy product assistance										
—Export	1,325	649	774	31,113	33,861	1,186	1,754	1,711	20,328	24,979
—Domestic	570	10,280			10,850	759	29,542			30,301
Inventory writedown	8,038	15,294	1,526	3,181	28,039		10,292	1,806	6,398	18,496
Promotion	555	800			1,355	5,218	1,955			7,173
Carrying charges	6,617	4,214	624	795	12,250	2,756	2,126	327	548	5,757
Provision for doubtful accounts				458	458			2,625	875	3,500
	17,105	31,237	2,924	35,547	86,813	9,919	45,669	6,469	28,149	90,206
Provision for losses on disposal of surplus production					17,007					8,766
Administrative expenses					4,694					4,435
Total assistance and expenses					108,514					103,407
Total cost of operations					158,141					214,841

*Includes whole milk powder and cheese.

CANADIAN FILM DEVELOPMENT CORPORATION

AUDITOR'S REPORT

TO THE MINISTER OF COMMUNICATIONS

I have examined the balance sheet of the Canadian Film Development Corporation as at March 31, 1990 and the statements of operations, equity of Canada and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1990 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in my opinion, proper books of account have been kept by the Corporation, the financial statements are in agreement therewith and the transactions of the Corporation that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with the Financial Administration Act and regulations, the Canadian Film Development Corporation Act and the by-laws of the Corporation.

Raymond Dubois, F.C.A.
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
June 7, 1990

BALANCE SHEET AS AT MARCH 31, 1990

ASSETS	1990	1989
	$	$
Current		
Deposit with the Consolidated Revenue Fund (Note 3)	21,793,780	
Loans		
Canadian programming		
Interim financing	1,879,190	2,769,788
Permanent financing		649,750
Feature films		
Interim financing	1,494,828	2,635,754
Permanent financing	714,039	1,165,250
	4,088,057	7,220,542
Parliamentary appropriation receivable (Note 4)	18,038,776	18,847,152
Accounts receivable	351,641	1,132,900
Prepaid expenses	361,082	857,445
	44,633,336	28,058,039
Long-term loans		
Canadian programming		
Interim financing		225,000
Permanent financing	49,583	913,250
Feature films		
Interim financing	37,500	555,900
Permanent financing	438,000	2,675,000
	525,083	4,369,150
Fixed assets (Note 5)	2,627,751	2,615,679
	47,786,170	35,042,868

LIABILITIES	1990	1989
	$	$
Current		
Deposit payable (Note 3)	21,793,780	
Accounts payable	10,871,307	10,563,754
	32,665,087	10,563,754
Long-term		
Provision for employee termination benefits	314,550	250,372
	32,979,637	10,814,126
EQUITY OF CANADA		
Equity of Canada	14,806,533	24,228,742
	47,786,170	35,042,868

Approved by the Board:

HARVEY CORN
Acting Chairman

Approved by Management:

PIERRE DESROCHES
Executive Director

CANADIAN FILM DEVELOPMENT CORPORATION—*Continued*

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 1990

	1990			1989
	Canadian programming	Feature films	Total	Total
	$	$	$	$
Assistance expenses (Note 6)				
English production	54,070,337	22,820,315	76,890,652	60,479,660
French production	26,649,591	13,180,622	39,830,213	32,315,344
Marketing and distribution		25,029,683	25,029,683	22,176,702
Development of the industry		6,808,703	6,808,703	5,797,132
	80,719,928	67,839,323	148,559,251	120,768,838
Revenues				
Interest on loans	290,814	697,593	988,407	1,657,527
Cost of operations before administration expenses	80,429,114	67,141,730	147,570,844	119,111,311
Administration expenses (Note 7)			7,446,365	5,420,386
Cost of operations for the year			155,017,209	124,531,697

STATEMENT OF EQUITY OF CANADA
FOR THE YEAR ENDED MARCH 31, 1990

	1990	1989
	$	$
Balance at beginning of the year	24,228,742	19,892,439
Parliamentary appropriation for the year	145,595,000	128,868,000
	169,823,742	148,760,439
Cost of operations for the year	155,017,209	124,531,697
Balance at end of the year	14,806,533	24,228,742

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1990

	1990	1989
	$	$
Operating activities		
Cost of operations for the year	(155,017,209)	(124,531,697)
Items not affecting liquidity		
Loans written-off or converted into investments	5,718,811	3,289,293
Depreciation	758,056	645,775
Increase in the provision for employee termination benefits	64,178	59,878
	(148,476,164)	(120,536,751)
Net change in non liquidity items of working capital related to operations	1,585,175	2,695,326
	(146,890,989)	(117,841,425)
Investing activities		
Deposit with the Consolidated Revenue Fund	(21,793,780)	
Deposit payable	21,793,780	
Loans	(5,175,561)	(14,379,368)
Reimbursements of loans	6,433,302	7,566,678
Acquisition of fixed assets	(770,128)	(1,423,916)
	487,613	(8,236,606)
Financing activities		
Parliamentary appropriation for the year	145,595,000	128,868,000
Parliamentary appropriation receivable		
Increase (decrease) for the year	(808,376)	2,789,969
Balance at beginning of the year	18,847,152	16,057,183
Balance at end of the year	18,038,776	18,847,152

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1990

1. Authority and activities

The Corporation was established in 1967 by the Canadian Film Development Corporation Act with the objective of fostering and promoting the development of a feature film industry in Canada. The Corporation has since been charged with the administration of the Canadian Broadcast Program Development Fund, established on July 1, 1983, within the framework of the Broadcasting Strategy for Canada as well as with the management of various new programs established under the National Film and Video Policy of May 1984.

The Corporation is a Crown corporation subject to the provisions of Part VIII of the Financial Administration Act as it read before its repeal in 1984 and as if it continued to be named in Schedule C of the Act.

2. Significant accounting policies

(a) Liquidity

The financial operations of the Corporation are processed through the Consolidated Revenue Fund of Canada, thus the absence of bank accounts. For the purposes of the statement of changes in financial position, its liquidity consists of a parliamentary appropriation receivable.

(b) Loans

Loans are shown on the balance sheet at their face value, less an allowance for losses.

CANADIAN FILM DEVELOPMENT CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1990—*Continued*

(c) Investments

Funds advanced for feature films and Canadian programming, in return for a share in the proceeds, are expensed as assistance expenses in the year in which the funds are paid or have become payable.

All proceeds, up to the amount of the related investment, are credited to expenses as a reduction of assistance expenses made during the year. Any amount in excess thereof is accounted for as revenues.

(d) Fixed assets

Fixed assets are recorded at cost.

Depreciation is provided for, using the diminishing-balance method, at the annual rate of 30% for the automobile and 20% for the furniture and equipment and the computer installations. Leasehold improvements are amortized, using the straight-line method, based on the terms of the leases.

(e) Parliamentary appropriation

The parliamentary appropriation voted to the Corporation for its objectives comprises an amount for the development of a feature film industry which can be carried forward to future years up to the amount of unused film receipts and another lapsing amount for the production of Canadian programming. The unlapsed parliamentary appropriation is credited to the Equity of Canada. The admissible unlapsed amount not used at the end of the year is presented on the balance sheet as a parliamentary appropriation receivable.

(f) Employee termination benefits

On termination of employment, employees are entitled to certain benefits provided for under their conditions of employment. The cost of these benefits is expensed in the year in which they are earned.

(g) Pension plan

All employees participate in the superannuation plan administered by the Government of Canada. The employees and the Corporation contribute equally to the cost of the plan. This contribution represents the total liability of the Corporation. Contributions in respect of current service and admissible past service are expensed during the year in which payments are made. The terms of payment for past service are set by the applicable purchase conditions in effect, generally over the number of years of service remaining prior to retirement.

3. Deposit with the Consolidated Revenue Fund and deposit payable

During the year, the Corporation received $21,200,000 from a private corporation for the creation of a fund which will be used to strengthen and improve the Canadian broadcasting system. The operational criteria of the fund as well as the involvement of the Corporation in its management have to be approved by the Canadian Radio-television and Telecommunications Commission (CRTC).

As at March 31, 1990, the CRTC had not yet rendered its decision. To this date, an amount of $21,793,780, representing capital and earned interest, has been deposited with the Receiver General for Canada. This amount is shown as short term asset and liability on the balance sheet.

4. Parliamentary appropriation receivable

	1990	1989
	$	$
Development of the feature film industry	8,567,950	13,147,699
Canadian programming production	4,882,344	3,885,895
Interim financing to producers and distributors	4,588,482	1,813,558
	18,038,776	18,847,152

5. Fixed assets

	1990			1989
	Cost	Accumulated depreciation	Net	Net
	$	$	$	$
Furniture and equipment	1,700,185	890,749	809,436	763,480
Computer installations	1,794,876	735,013	1,059,863	1,299,887
Leasehold improvements	1,114,288	365,636	748,652	538,312
Automobile	20,000	10,200	9,800	14,000
	4,629,349	2,001,598	2,627,751	2,615,679

6. Assistance expenses

	1990			1989
	Canadian programming	Feature films	Total	Total
	$	$	$	$
Investments	83,373,050	63,954,116	147,327,166	123,003,683
Proceeds from investments	(7,785,566)	(5,515,344)	(13,300,910)	(12,653,580)
Loans written-off or converted into investments	2,609,875	3,108,936	5,718,811	3,289,293
	78,197,359	61,547,708	139,745,067	113,639,396
Operating expenses (Note 7)	2,522,569	6,291,615	8,814,184	7,129,442
	80,719,928	67,839,323	148,559,251	120,768,838

7. Operating expenses

	1990	1989
	$	$
Salaries and employee benefits	8,232,178	5,966,015
Rent, taxes, heating and electricity	1,823,958	1,417,070
Professional services	1,620,464	1,394,806
Printing, postage and office expenses	1,467,090	1,201,526
Travel	859,706	671,721
Depreciation	758,056	645,775
Advertising	412,748	461,076
Telephone and telex	383,176	344,944
Relocation expenses	317,728	148,527
Hospitality	195,456	152,816
Consultants' fees	189,989	145,552
	16,260,549	12,549,828
Portion applicable to assistance expenses (Note 6)	8,814,184	7,129,442
Portion applicable to administration expenses	7,446,365	5,420,386

CANADIAN FILM DEVELOPMENT CORPORATION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1990—*Concluded*

8. Commitments

As at March 31, 1990, the Corporation is contractually committed to advance funds totalling $26,961,352 as loans and investments, of which $11,842,510 are for French projects and $15,118,842 are for English projects. Further, it has accepted financing projects that may call for disbursements of approximately $4,753,799 of which $1,735,085 are for French projects and $3,018,714 are for English projects.

The Corporation has entered into long-term leases for the rental of office space and equipment used in its operations. The aggregate minimum annual rentals payable during subsequent years are as follows:

	$
1991	1,825,477
1992	1,733,687
1993	1,824,601
1994	1,758,630
1995	1,734,729
1996-2000	5,567,203
	14,444,327

CANADIAN INSTITUTE FOR INTERNATIONAL PEACE AND SECURITY

AUDITOR'S REPORT

TO THE CANADIAN INSTITUTE FOR INTERNATIONAL PEACE AND SECURITY
AND
SECRETARY OF STATE FOR EXTERNAL AFFAIRS

I have examined the balance sheet of the Canadian Institute for International Peace and Security as at March 31, 1990 and the statements of operations and equity of Canada and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Institute as at March 31, 1990 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

D. Larry Meyers, F.C.A.
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
June 25, 1990

BALANCE SHEET AS AT MARCH 31, 1990

ASSETS	1990	1989	LIABILITIES	1990	1989
	$	$		$	$
Current			Current		
Cash and term deposits	1,749,173	1,738,040	Accounts payable and accrued liabilities	369,454	240,728
Accrued interest	25,892	10,789	Deferred rent compensation (Note 4)	11,536	168,003
Prepaid expenses	93,911	134,373		380,990	408,731
	1,868,976	1,883,202			
Furniture, equipment and leasehold improvements (Note 3)	246,304	272,899	EQUITY OF CANADA		
			Equity of Canada	1,734,290	1,747,370
	2,115,280	2,156,101		2,115,280	2,156,101

Approved by the Board:

DAVID BRAIDE
Chairman of the Board

BERNARD WOOD
Chief Executive Officer

CANADIAN INSTITUTE FOR INTERNATIONAL PEACE AND SECURITY—*Continued*

STATEMENT OF OPERATIONS AND EQUITY OF CANADA FOR THE YEAR ENDED MARCH 31, 1990

	1990	1989
	$	$
Expenses (Schedule)		
Programmes		
Research	1,463,028	1,334,021
Public programmes	1,262,945	1,182,677
Grants, awards and bursaries	995,300	1,201,447
Information services	633,204	555,250
	4,354,477	4,273,395
General administration and support	817,977	713,803
Total expenses	5,172,454	4,987,198
Revenue		
Interest income	159,374	137,760
Net cost of operations	5,013,080	4,849,438
Parliamentary appropriation	5,000,000	5,000,000
Excess of parliamentary appropriation over net cost of operations (net cost of operations over parliamentary appropriation)	(13,080)	150,562
Equity of Canada at beginning of the year	1,747,370	1,596,808
Equity of Canada at end of the year	1,734,290	1,747,370

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED MARCH 31, 1990

	1990	1989
	$	$
Operating activities		
Cash used in operations		
Net cost of operations	5,013,080	4,849,438
Item not requiring an outlay of funds		
Depreciation and amortization	(115,961)	(103,851)
	4,897,119	4,745,587
Changes in balance sheet accounts		
Decrease (increase) in deferred rent compensation	156,467	(168,003)
Increase (decrease) in prepaid expenses	(40,462)	93,253
Increase (decrease) in accrued interest	15,103	(823)
Increase in accounts payable and accrued liabilities	(128,726)	(635)
	4,899,501	4,669,379
Investing activities		
Acquisition of furniture, equipment and leasehold improvements	89,366	233,441
Financing activities		
Parliamentary appropriation	(5,000,000)	(5,000,000)
Increase in cash and term deposits during the year	11,133	97,180
Cash and term deposits at beginning of year	1,738,040	1,640,860
Cash and term deposits at end of year	1,749,173	1,738,040

NOTES TO FINANCIAL STATEMENTS MARCH 31, 1990

1. Authority and operations

The Institute was established in 1984 under the Canadian Institute for International Peace and Security Act (the Act). The Institute is exempt from Divisions I to IV of Part X of the Financial Administration Act.

The purpose of the Institute is to increase knowledge and understanding of the issues relating to international peace and security from a Canadian perspective with particular emphasis on arms control, disarmament, defence and conflict resolution, and to:

(a) foster, fund and conduct research on matters relating to international peace and security;

(b) promote scholarship in matters relating to international peace and security;

(c) study and propose ideas and policies for the enhancement of international peace and security; and

(d) collect and disseminate information on, and encourage public discussion of, issues of international peace and security.

2. Significant accounting policies

These financial statements have been prepared in accordance with generally accepted accounting principles. The significant accounting policies followed are:

(a) Furniture, equipment and leasehold improvements

Furniture, equipment and leasehold improvements are recorded at cost. Furniture and equipment are depreciated on the straight-line basis at an annual rate of 20%. Leasehold improvements are amortized, using the straight-line method, based on the duration of the lease.

(b) Pension plan

Employees participate in the Public Service Superannuation Plan administered by the Government of Canada. The Institute's contributions are equal to the contributions paid by its employees in respect of current services. These contributions represent the total liability of the Institute in respect of the pension plan and are recorded as expenses in the same period as the employees' services are rendered.

(c) Income taxes

The Institute is exempt from any income taxes.

(d) Parliamentary appropriation

Parliamentary appropriation is recorded in the accounts on an accrual basis. Furthermore, the Act states that the Institute shall be paid from the Consolidated Revenue Fund the sum of $5 million annually or such greater amount as may be appropriated by Parliament.

(e) Grants, awards and bursaries

Grants, awards and bursaries are charged to operations when the conditions of the agreement are met by the recipient.

CANADIAN INSTITUTE FOR INTERNATIONAL PEACE AND SECURITY—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1990—*Concluded*

3. Furniture, equipment and leasehold improvements

	1990			1989
	Cost	Accumulated depreciation and amortization	Net	Net
	$	$	$	$
Furniture	328,842	210,642	118,200	160,087
Equipment	252,625	129,030	123,595	112,812
Leasehold improvements	5,073	564	4,509	
	586,540	340,236	246,304	272,899

4. Deferred rent compensation

Amount provided by new landlord to compensate for expenses to be incurred on previous leased premises during 1989-90 and 1990-91.

5. Commitments

(a) Office lease agreement

The total commitments for lease payments are estimated at $365,000 for each of the eight subsequent years. The lease agreement also calls for a pro rata share of occupancy costs of approximately $184,000 annually.

(b) Programmes

The Institute is committed to make payments totalling $1,218,900 in subsequent years ($1,184,900 in 1990-91) subject to compliance by the recipients with the terms of the agreements.

	1990	1989
	$	$
Research	344,000	547,000
Public programmes	156,900	210,100
Grants, awards and bursaries	714,500	515,300
Information services	3,500	30,000
	1,218,900	1,302,400

6. Comparative figures

The 1989 figures have been reclassified to conform to the statement presentation adopted in 1990.

CANADIAN INSTITUTE FOR INTERNATIONAL PEACE AND SECURITY—*Concluded*

SCHEDULE OF EXPENSES
FOR THE YEAR ENDED MARCH 31, 1990

	Research	Public programmes	Grants, awards and bursaries	Information services	General administration and support	Total 1990	Total 1989
	$	$	$	$	$	$	$
Salaries and employee benefits	595,718	483,199	160,667	294,111	262,436	1,796,131	1,571,996
Projects	476,197	161,867				638,064	750,040
Rent and occupancy	144,134	119,728	38,430	162,467	127,739	592,498	460,079
Grants*			590,412	1,914		592,326	848,134
Publications	125,315	339,730		8,216		473,261	438,896
Transportation and communications	84,920	59,762	25,266	62,083	77,725	309,756	263,789
Professional and special services	17,249	55,755	7,443	67,176	85,759	233,382	167,138
Awards and bursaries			173,082			173,082	154,331
Material and supplies				33,686	97,407	131,093	105,348
Depreciation and amortization					115,961	115,961	103,851
Conferences, seminars and workshops	19,495	42,904		3,551		65,950	86,346
Directors fees**					50,950	50,950	37,250
	1,463,028	1,262,945	995,300	633,204	817,977	5,172,454	4,987,198

* The additional balance of the Institute's total approved grants for 1989-90 is commited within the figures shown in the Notes to Financial Statements, section 5(b).

** For scheduling reasons, two Board of Directors' meetings fell within the 1988-89 fiscal year while four fell within 1989-90.

CANADIAN LIVESTOCK FEED BOARD

AUDITOR'S REPORT

TO THE CANADIAN LIVESTOCK FEED BOARD
AND THE
MINISTER OF AGRICULTURE

I have examined the balance sheet of the Canadian Livestock Feed Board as at March 31, 1990 and the statements of operations, equity of Canada and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Board as at March 31, 1990 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Board that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with Part X of the Financial Administration Act and regulations, the Livestock Feed Assistance Act and regulations and the by-laws of the Board.

Raymond Dubois, F.C.A.
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
May 31, 1990

BALANCE SHEET AS AT MARCH 31, 1990

ASSETS	1990	1989	LIABILITIES	1990	1989
	$	$		$	$
Current			Current		
Accounts receivable	43,177	97,507	Accounts payable	110,577	101,286
Parliamentary appropriations receivable	1,708,853	2,068,086	Contributions payable	2,274,560	2,052,571
	1,752,030	2,165,593	Provision for employee termination benefits	163,957	
Amounts recoverable under the new inland elevator construction assistance program (Note 3)	112,810	217,048		2,549,094	2,153,857
			Provision for employee termination benefits	176,049	157,267
				2,725,143	2,311,124
			EQUITY OF CANADA		
			Surplus (deficit)	(860,303)	71,517
	1,864,840	2,382,641		1,864,840	2,382,641

Approved by Management:

PIERRE MORIN
Director of Finance

Approved by the Board:

GUY RENÉ DE COTRET
Chairman

CANADIAN LIVESTOCK FEED BOARD—*Continued*

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 1990

	1990	1989
	$	$
Contributions		
Feed freight assistance	17,288,388	17,579,080
New inland elevator construction assistance (Note 3)	27,813	13,000
	17,316,201	17,592,080
Administration expenses		
Salaries and employee benefits	1,302,737	985,281
Travel	107,878	109,317
Rentals	99,821	97,241
Telephone	49,992	52,486
Stationery and office supplies	46,239	40,705
Publication of reports	44,408	47,748
Professional and special services	38,697	42,700
Postage	36,993	33,507
Electricity	15,912	13,061
Equipment and office furniture	6,084	4,807
Accounting and cheque issue services	2,000	2,000
Advisory committee fees	1,125	2,250
Miscellaneous	10,398	9,740
	1,762,284	1,440,843
Cost of operations for the year	19,078,485	19,032,923

STATEMENT OF EQUITY OF CANADA
FOR THE YEAR ENDED MARCH 31, 1990

	1990	1989
	$	$
Surplus at beginning of the year	71,517	177,291
Parliamentary appropriations	18,144,665	18,925,149
Services provided without charge by a government department	2,000	2,000
	18,218,182	19,104,440
Cost of operations for the year	19,078,485	19,032,923
Surplus (deficit) at end of the year	(860,303)	71,517

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1990

	1990	1989
	$	$
Operating activities		
Cost of operations for the year	(19,078,485)	(19,032,923)
Items not affecting liquidity		
Provision for losses in respect of amounts recoverable under the new inland elevator construction assistance program	27,813	13,000
Services provided without charge by a government department	2,000	2,000
Increase in the provision for employee termination benefits	182,739	20,828
	(18,865,933)	(18,997,095)
Decrease (increase) in accounts receivable	54,330	(94,874)
Increase in accounts payable	9,291	25,325
Increase in contributions payable	221,989	328,608
	(18,580,323)	(18,738,036)
Financing activities		
Parliamentary appropriations	18,144,665	18,925,149
Investing activities		
Amount recovered under the new inland elevator construction assistance program	76,425	118,136
Parliamentary appropriations receivable		
Increase (decrease) for the year	(359,233)	305,249
Balance at beginning of the year	2,068,086	1,762,837
Balance at end of the year	1,708,853	2,068,086

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1990

1. Authority and objectives

The Board, a Crown corporation named in Part I of Schedule III to the Financial Administration Act, was established in 1967 under the Livestock Feed Assistance Act with the objective of ensuring:

— the availability of feed grain to meet the needs of livestock feeders;

— the availability of adequate storage space in Eastern Canada for feed grain to meet the needs of livestock feeders; and

— reasonable stability in, and fair equalization of, feed grain prices in Eastern Canada, British Columbia, the Yukon Territory and the Northwest Territories.

2. Significant accounting policies

(a) Liquidity

The financial operations of the Board are processed through the Consolidated Revenue Fund of Canada, thus the absence of bank accounts. For the purposes of the statement of changes in financial position, the liquidity consists of parliamentary appropriations receivable or payable.

(b) Contributions

Feed freight assistance is charged to operations in the year in which shipments are made.

Write-offs or provisions for losses of amounts recoverable under the new inland elevator construction assistance program are charged to operations in the year in which collection is considered doubtful.

CANADIAN LIVESTOCK FEED BOARD—*Concluded*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1990—*Concluded*

(c) Capital expenditures

Purchases of equipment, office furniture, vehicles and costs of office renovations are expensed in the year of acquisition.

(d) Parliamentary appropriations

Parliamentary appropriations are recorded in the statement of equity of Canada for the year to which they apply.

(e) Services provided without charge

An estimated amount for services provided without charge by a government department is included in expenses with an offset to the equity of Canada.

(f) Employee termination benefits

On termination of employment, employees are entitled to certain benefits provided for under their collective agreements and their conditions of employment. The cost of these benefits is expensed in the year in which they are earned.

(g) Pension plan

All employees participate in the superannuation plan administered by the Government of Canada. The employees and the Board contribute equally to the cost of the plan. This contribution represents the total liability of the Board. Contributions in respect of current service and of admissible past service are expensed when paid. The terms of payment of past service contributions are set by the applicable purchase conditions, generally over the number of years of service remaining prior to retirement.

3. Amounts recoverable under the new inland elevator construction assistance program

Under the new inland elevator construction assistance program, the Board contributed towards certain construction costs. As at March 31, 1983, all contributions by the Board had been paid to operators of the elevators. These operators are called upon to reimburse, without interest, part of the contributions received. Reimbursements are based on stored quantities from the fourth to the tenth year of operation of the new facility without exceeding 40% of the contribution received.

As at March 31, 1990, the Board estimates that the amounts that will be recovered, net of a provision for losses, total $112,810 ($217,048 as at March 31, 1989). Because of the basis for the calculation of reimbursements, it is not possible to determine the amounts that will be recovered during each applicable year.

4. Bill C-73

Bill C-73 to provide for the dissolution or transfer of certain Crown corporations and to amend certain Acts in consequence thereof was tabled in the House of Commons for its first reading on May 31, 1990. This Bill provides for the dissolution of the Board and the execution of its mandate by the Minister of Agriculture.

CANADIAN NATIONAL RAILWAY SYSTEM

MANAGEMENT REPORT

The accompanying consolidated financial statements of Canadian National Railway System and all information in this annual report are the responsibility of management and have been approved by the board of directors.

The financial statements have been prepared by management in conformity with Canadian generally accepted accounting principles. These statements include some amounts that are based on best estimates and judgments. Financial information used elsewhere in the annual report is consistent with that in the financial statements.

Management of the Company, in furtherance of the integrity and objectivity of data in the financial statements, has developed and maintains a system of internal accounting controls and supports an extensive program of internal audits. Management believes that this system of internal accounting controls provides reasonable assurance that financial records are reliable and form a proper basis for preparation of financial statements and that assets are properly accounted for and safeguarded.

The board of directors carries out its responsibility for the financial statements in this report principally through its audit committee, consisting solely of outside directors. The audit committee reviews the Company's annual consolidated financial statements and recommends their approval by the board of directors. Also, the audit committee meets regularly with the Vice-President Internal Audit and with the Shareholder's Auditors, appointed by the Government of Canada.

These consolidated financial statements have been examined by the Shareholder's Auditors, Touche Ross, whose report is presented below.

Yvon H. Masse
Senior Vice-President and Chief Financial Officer

AUDITORS' REPORT

TO THE MINISTER OF TRANSPORT

We have examined the consolidated balance sheets of the Canadian National Railway System as at December 31, 1989 and 1988 and the consolidated statements of income, retained earnings and changes in financial position for each of the years in the three-year period ended December 31, 1989. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the System as at December 31, 1989 and 1988 and the results of its operations and the changes in its financial position for each of the years in the three-year period ended December 31, 1989 in accordance with generally accepted accounting principles applied on a consistent basis.

Touche Ross
Chartered Accountants

Montreal, Canada
February 20, 1990

CONSOLIDATED BALANCE SHEET DECEMBER 31
(in thousands of dollars)

ASSETS	1989	1988
Current		
Cash and time deposits	128,824	36,286
Accounts receivable	431,955	416,145
Material and supplies	251,156	219,152
Other	270,573	274,136
	1,082,508	945,719
Insurance fund	7,538	7,675
Investments	106,495	76,088
Properties	5,814,073	5,770,440
Other assets and deferred charges	94,737	106,113
	7,105,351	6,906,035

LIABILITIES	1989		1988	
Current				
Bank indebtedness		100		100
Accounts payable and accrued charges		850,277		806,169
Current portion of long-term debt		59,990		57,254
Other		311,092		276,214
		1,221,459		1,139,737
Provision for insurance		7,538		7,675
Other liabilities and deferred credits		418,094		421,815
Deferred income taxes		44,570		
Long-term debt		1,869,889		1,957,608
Minority interest in subsidiary companies		4,345		4,345
SHAREHOLDER'S EQUITY				
Capital stock	2,278,867		2,278,867	
Retained earnings	1,260,589	3,539,456	1,095,988	3,374,855
		7,105,351		6,906,035

See accompanying notes to consolidated financial statements.

On behalf of the Board:

BRIAN R.D. SMITH
Director

RONALD E. LAWLESS
Director

CANADIAN NATIONAL RAILWAY SYSTEM—*Continued*

CONSOLIDATED STATEMENT OF INCOME
YEAR ENDED DECEMBER 31
(in thousands of dollars)

	1989	1988	1987
CN Rail			
Revenues	3,528,331	3,792,115	3,732,294
Expenses	3,403,307	3,571,430	3,618,546
Income	125,024	220,685	113,748
Grand Trunk Corporation			
Revenues	461,312	477,816	486,044
Expenses	447,625	464,882	464,197
Income	13,687	12,934	21,847
Enterprises group			
CN Exploration			
Revenues	30,283	27,568	36,820
Expenses	22,475	24,428	26,199
Income	7,808	3,140	10,621
CN Real Estate			
Revenues	103,293	56,312	54,102
Expenses	36,252	22,057	16,505
Other income	25,949	12,557	205
Income	92,990	46,812	37,802
Other			
Income	17,273	10,471	7,007
Total Enterprises group	118,071	60,423	55,430
Total continuing operations	256,782	294,042	191,025
Discontinued operations		(26,052)	(31,146)
Premium on early extinguishment of long-term debt		(111,106)	
Income before income taxes and extraordinary items	256,782	156,884	159,879
Income taxes	90,241	99,803	76,038
Income before extraordinary items	166,541	57,081	83,841
Extraordinary items*	39,210	225,584	36,741
Net income	205,751	282,665	120,582

*See Note 3.

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF RETAINED EARNINGS
YEAR ENDED DECEMBER 31
(in thousands of dollars)

	1989	1988	1987
Balance, beginning of year	1,095,988	822,212	725,746
Prior years' dividends reversed		47,644	
Net income	205,751	282,665	120,582
Dividend	(41,150)	(56,533)	(24,116)
Balance, end of year	1,260,589	1,095,988	822,212

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES
IN FINANCIAL POSITION
YEAR ENDED DECEMBER 31
(in thousands of dollars)

	1989	1988	1987
Operating activities			
Net income	205,751	282,665	120,582
Non-cash charges to income			
Depreciation and amortization	264,766	293,699	293,045
Loss (income) of equity investees less dividends	(29,255)	(8,402)	1,473
Gain on disposal of business units		(285,113)	(4,900)
Provision for property impairment		62,683	43,075
Deferred income taxes	44,570		
Changes in working capital items*	34,735	(40,542)	252,674
Other	(32,462)	66,887	38,484
	488,105	371,877	744,433
Investing activities			
Additions to properties	(370,960)	(386,319)	(482,058)
Net proceeds from disposal of properties	62,560	71,600	67,590
Investments	(23,204)	(15,539)	(6,723)
Proceeds from sale of business units		882,283	23,596
Working capital of previously consolidated companies		(18,642)	(2,747)
Investments in previously consolidated companies		(13,259)	
	(331,604)	520,124	(400,342)
Cash provided before financing activities	156,501	892,001	344,091
Financing activities			
Issuance of long-term debt	14,381	5,772	19,020
Reduction of long-term debt	(78,344)	(798,327)	(319,477)
	(63,963)	(792,555)	(300,457)
Net increase in cash	92,538	99,446	43,634
Cash (bank indebtedness), beginning of year	36,186	(63,260)	(106,894)
Net cash (bank indebtedness), end of year	128,724	36,186	(63,260)

* Excluding cash, bank indebtedness, and current portion of long-term debt.

See accompanying notes to consolidated financial statements.

CANADIAN NATIONAL RAILWAY SYSTEM—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of significant accounting policies

Introduction

All references in these Notes to the "Company" refer to Canadian National Railway Company which is wholly-owned by the Government of Canada and, unless the context otherwise requires, its consolidated subsidiaries, and all references to the "System" mean Canadian National Railway Company and its consolidated subsidiaries together with the lines of railway, telecommunications and other property entrusted by the Government of Canada to the Company for management and operation.

(a) Principles of consolidation

The consolidated financial statements include the accounts of all significant subsidiaries and, prior to its disposal in 1988, included the Company's share of the assets, liabilities and income of CNCP Telecommunications which was accounted for by the proportionate consolidation method. Also, consistent with the legislation governing the System, the accounts of the Canadian Government Railways entrusted to the Company by the Government of Canada are included in the consolidated financial statements.

Once a formal plan for the disposition of a significant segment has been adopted, the segment is no longer consolidated but reported under the equity method and included in "Investments" in the consolidated financial statements. The related operating results are reported as results of discontinued operations.

Investments in entities in which the Company has less than a majority interest are accounted for by the equity method, where appropriate.

(b) Reporting by division

In presenting the results by division, interdivisional charges for services have not been eliminated. Consolidated net income is not affected by this practice.

(c) Material and supplies

The inventory is valued at laid down cost based on weighted average cost for ties and rails, latest invoice price for fuel and new materials in stores, and at estimated utility or sales value for usable second hand, obsolete and scrap materials.

(d) Insurance fund

Certain System components are self-insured for various risks, with a separately-invested fund being maintained. The provision for insurance represents the estimated amount of self-insured losses to be settled.

(e) Properties

Accounting for railway and telecommunications properties is carried out in accordance with rules issued by the National Transportation Agency of Canada and the Canadian Radio-television and Telecommunications Commission respectively (Canadian properties), and the Interstate Commerce Commission (United States properties). Generally, major additions and replacements are capitalized and interest costs are charged to expense.

The cost of depreciable railway and telecommunications assets retired or disposed of, less salvage, is charged to accumulated depreciation, in accordance with the group plan of depreciation. Other depreciable assets retired or disposed of are accounted for in accordance with the unit plan whereby gains or losses are taken into income as they occur.

The Company follows the successful efforts method of accounting for its oil and gas operations whereby the acquisition costs of oil and gas properties, the costs of successful exploratory wells and the costs of drilling and equipping development wells are capitalized.

CN Real Estate's properties are stated at cost. Carrying costs of properties under development are capitalized. Such costs include real estate taxes, insurance, interest and other expenses directly related to the development activity.

(f) Depreciation

Depreciation is calculated at rates sufficient to write off properties over their estimated useful lives, generally on a straight-line basis. For railway and telecommunications properties, rates are authorized by the National Transportation Agency of Canada, the Canadian Radio-television and Telecommunications Commission and the Interstate Commerce Commission. The rates for significant classes of assets are as follows:

	Annual Rate
Ties	2.71%-2.73%
Rails	1.93%
Other track material	2.23%-2.83%
Ballast	3.27%
Road locomotives	4.30%
Freight cars	1.73%-3.18%

Acquisition costs of oil and gas properties are amortized on a straight-line basis over the term of the lease until such time as the properties are determined to be productive or judged to be impaired. Acquisition costs of productive properties and costs of successful exploratory drilling and of drilling and equipping development wells are charged against income on the unit-of-production method based upon proven reserves of oil and gas. Exploratory dry hole and acquisition costs judged to be impaired are charged against income in the current period. Other exploratory expenditures are charged against income as incurred.

CN Real Estate assets are depreciated using the straight-line method calculated over the estimated economic life of the asset.

(g) Revenues

Transportation: Revenues are generally recognized on completion of movements, with interline movements being treated as complete when the shipment is turned over to the connecting carrier. Costs associated with movements not completed are deferred.

Real estate: Rental revenues are recognized as earned. Revenues from disposition of properties are recognized on completion of the sale. The share of income from joint ventures is recognized on an equity basis and reported as Other income.

(h) Pensions

Pension costs are determined periodically by independent actuaries. Pension expense is charged annually to operations and comprises the total of the following:

— the cost of pension benefits provided in exchange for employees' services rendered during the year, and

— amortization of past service costs over the expected average remaining service life of the employee group covered by the plans.

The pension plans are funded through contributions determined in accordance with the accrued benefit actuarial cost method.

CANADIAN NATIONAL RAILWAY SYSTEM—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—*Continued*

(i) Foreign exchange

The Company's foreign operations are classified as integrated and are translated and accounted for on the following bases. Current assets (excluding material and supplies), current liabilities and long-term debt are translated at the rates in effect at the balance sheet date, whereas all other assets and liabilities are translated at historical rates. Revenues and expenses are translated at average rates during the year except for depreciation which is translated at exchange rates prevailing when the related properties were acquired.

The Company's own foreign denominated assets and liabilities are accorded similar treatment. Revenues and expenses are translated at rates prevailing at the time of the transactions except for revenues designated as a hedge against repayment of foreign denominated long-term debt which are translated at the rate in effect at the inception of the debt.

Currency gains and losses are reflected in net income for the year, except for unrealized foreign currency losses on long-term debt. The Company has designated future U.S. dollar revenue streams as a hedge against the repayment of most of its long-term debt denominated in U.S. dollars, and has thus deferred reflecting the related unrealized foreign currency translation losses in net income until the earlier of the debt repayment or the expiry of the hedge. Unrealized foreign currency losses related to long-term debt denominated in U.S. dollars not covered by the hedge are deferred and amortized over the remaining life of the debt. Such deferred amounts are included in the Consolidated Balance Sheet as part of Other Assets and Deferred Charges.

(j) Leases

Leases which satisfy the criteria for capital leases and which have been entered into after 1981 have been capitalized. Other leases entered into prior to 1982, satisfying the criteria for capital leases, have been recorded as operating leases.

2. Discontinued operations

Details of discontinued operations are as follows:

	Year ended December 31		
	1989	1988	1987
	(in thousands of dollars)		
TerraTransport		(29,277)	(41,336)
CN Communications		12,362	21,935
CN Hotels		(9,137)	(13,113)
Dockyard			1,368
		(26,052)	(31,146)

3. Extraordinary items

During 1988 the Company disposed of CN Hotels, the two subsidiary telephone companies and CNCP Telecommunications, with the latter sale including Telecommunications Terminal Systems. The Dockyard was disposed of in 1987.

Asset write-downs to reflect impairments also occurred affecting CNCP Telecommunications in 1988 and TerraTransport in 1987.

TerraTransport incurred closure costs in 1988.

The financial effect of these transactions, their effect on the Company's income tax position and the reduction in income taxes on application of prior years' losses are as follows:

	Year ended December 31		
	1989	1988	1987
	(in thousands of dollars)		
Net gain on disposal of business units		285,113	4,900
Less related income tax effect		(114,958)	(2,381)
		170,155	2,519
Loss on write-down of assets		(62,683)	(43,075)
Less related income tax effect		28,051	20,933
		(34,632)	(22,142)
Closure cost of discontinued operations		(92,300)	
Less related income tax effect		41,304	
		(50,996)	
Reduction in income taxes on application of prior years' losses	39,210	141,057	56,364
	39,210	225,584	36,741

4. Investments

	Percentage of Voting Interest	December 31 1989	1988
		(in thousands of dollars)	
Entities accounted for by equity method			
CNCP Niagara-Detroit Partnership	50%	17,766	20,141
The Toronto Terminals Railway Company	50%	10,682	10,682
Other		36,494	18,594
		64,942	49,417
Other companies and investments, at cost less provisions for impairment where applicable		41,553	26,671
Total		106,495	76,088

CANADIAN NATIONAL RAILWAY SYSTEM—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—*Continued*

5. Properties

	December 31, 1989			December 31, 1988		
	Cost	Accumulated depreciation	Net	Cost	Accumulated depreciation	Net
	(in thousands of dollars)					
CN Rail	8,356,990	3,172,380	5,184,610	8,278,744	3,099,146	5,179,598
Grand Trunk Corporation	522,984	144,485	378,499	529,510	144,386	385,124
Enterprises group						
CN Exploration	114,846	53,368	61,478	103,048	45,325	57,723
CN Real Estate	151,169	18,571	132,598	107,784	17,245	90,539
Other	79,773	22,885	56,888	78,849	21,393	57,456
	9,225,762	3,411,689	5,814,073	9,097,935	3,327,495	5,770,440
Amounts included above with respect to Canadian Government Railways entrusted to the Company by the Government of Canada	1,019,199	554,399	464,800	1,026,898	540,718	486,180

At December 31, 1989 the gross value of assets under capital leases included above was $103.7 million (1988—$108.4 million) and related accumulated amortization thereon amounted to $16.0 million (1988—$12.1 million).

6. Long-term debt

	Maturity	Currency in which payable	December 31 1989	1988
			(in thousands of dollars)	
Bonds, Debentures and Notes				
Canadian National 11 3/8% 8 Year Notes	June 11, 1993	Canadian	100,000	100,000
Canadian National 9 7/8% 8 Year Notes	Mar. 18, 1994	Canadian	100,000	100,000
Canadian National 12 1/2% 10 Year Notes	Apr. 15, 1995	Canadian	100,000	100,000
Canadian National 6 1/2% 10 Year Japanese Yen Notes (a)	Mar. 26, 1996	Canadian	70,000	70,000
Canadian National 9 3/8% 10 Year Notes	Oct. 1, 1996	Canadian	100,000	100,000
Canadian National 9 1/4% 20 Year Sinking Fund Debentures	Mar. 15, 1998	United States	62,315	80,120
Canadian National 5 3/8% 15 Year Swiss Franc Bonds (b)	Aug. 22, 2000	Canadian	98,617	98,617
Canadian National 8 7/8% 15 Year Notes	May 21, 2001	Canadian	150,000	150,000
Canadian National 8 3/8% 25 Year Sinking Fund Debentures	July 1, 2002	United States	68,858	68,858
Canadian National 9.70% 25 Year Sinking Fund Debentures	July 15, 2004	United States	163,861	165,342
Canadian National 13% 20 Year Sinking Fund Debentures	Nov. 15, 2004	Canadian	90,196	93,464
Canadian National 12 1/4% 20 Year Sinking Fund Debentures	May 1, 2005	Canadian	125,000	125,000
Canadian National 14% 25 Year Sinking Fund Debentures	Jan. 15, 2006	United States	95,028	106,800
Canadian National 15% 25 Year Sinking Fund Debentures	June 1, 2006	United States	84,328	103,244
Canadian National 16 1/4% 25 Year Sinking Fund Debentures	Mar. 1, 2007	United States	87,180	98,801
Canadian National 14 3/4% 30 Year Sinking Fund Debentures	Sept. 1, 2012	United States	55,722	83,930
Canadian National 12% 30 Year Sinking Fund Debentures	Mar. 15, 2013	United States	122,548	122,548
Buffalo and Lake Huron 5 1/2% 1st Mortgage Bonds	Perpetual	Sterling	795	795
Buffalo and Lake Huron 5 1/2% 2nd Mortgage Bonds	Perpetual	Sterling	1,228	1,228
Total bonds, debentures and notes			1,675,676	1,768,747
Government of Canada loan (c)			161,085	173,432
Other				
Amounts owing under equipment purchase agreements (d)		Various	105,592	116,906
Syndicated loan (e)		Canadian	42,610	42,610
Capital lease obligations (f)		Various	90,733	97,052
Term loan		United States		2,107
Adjustment to current exchange rate (see Note 1 (i))			(12,074)	12,885
Total other			226,861	271,560
			2,063,622	2,213,739
Less: in-substance defeasance (g)			123,545	193,753
Current portion of long-term debt			59,990	57,254
Unamortized discount and other			10,198	5,124
			193,733	256,131
Long-term debt			1,869,889	1,957,608

CANADIAN NATIONAL RAILWAY SYSTEM—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—*Continued*

(a) The Company borrowed $70.0 million at an all-in cost of 10.25% by means of a Euro-yen public note issue and a currency swap.

(b) The Company borrowed $98.6 million at an all-inclusive cost of 11.17% by means of a public bond issue in Switzerland and a currency swap.

(c) The Government of Canada loan bears interest at 8 3/4% per annum and is payable in equal semi-annual payments of $13.63 million covering principal and interest to June 30, 1998.

(d) Secured by rolling stock and payable by semi-annual or quarterly instalments over various periods to 2000 at interest rates ranging from 8 1/2% to 17 3/4%. As at December 31, 1989, the principal amounts are payable as U.S. $77.1 million and Canadian $14.4 million (December 31, 1988—U.S. $101.0 million).

(e) The Company borrowed $42.6 million at an all-inclusive cost of 11.535% by means of a yen syndicated loan and currency swap.

(f) Interest rates for these leases range from approximately 7 7/8% to 14 1/2% with expiry dates occurring during the years 1990 through 2004. The imputed interest on these leases amounts to $79.0 million (1988—$92.6 million).

(g) Certain of the Company's long-term debt is considered to be extinguished as a result of the Company's having placed in irrevocable trusts, government securities sufficient to satisfy the interest and maturing principal requirements of the specific debt obligations involved.

(h) Principal repayments, including sinking fund repayments, repurchase arrangements and capital lease repayments, on debt outstanding at December 31, 1989, are as follows:

	Year ending December 31 (in thousands of dollars)
1990	59,990
1991	70,096
1992	58,455
1993	164,572
1994	166,303
1995-1999	608,680
2000-2004	558,337
2005-2009	167,611
2010-2015	71,205

7. Shareholder's Equity

(a) Capital stock

The capital stock of Canadian National Railway Company, $2,278,866,774, consists of 5,868,786 common shares of no par value authorized, issued and outstanding which are owned by the Government of Canada.

(b) Retained earnings

Under its governing legislation, the Company is required to pay to the Receiver General for Canada a dividend equal to 20% of net income for the year of such greater percentage as the Governor in Council may direct. Accordingly, a dividend representing 20% of the net income for the year, has been accrued and is included in Other Current Liabilities as is the dividend pertaining to 1988 net income. The dividends accrued on 1985 and 1987 income, which had not yet been paid, were reversed and transferred to retained earnings in 1988 on the basis of a Treasury Board of Canada decision dated December 15, 1988.

8. Major commitments

(a) Leases

(i) The Company's commitments as at December 31, 1989, under leases, excluding those which have been capitalized and for which the lease obligations are recorded as long-term debt (see Note 6), are as follows:

	Pre-1982 Capital Leases	Operating Leases
	Year ending December 31	
Non-cancellable leases	(in thousands of dollars)	
1990	13,002	113,127
1991	5,609	109,303
1992	4,212	103,683
1993	1,959	104,984
1994	1,501	101,309
1995-1999	4,596	422,052
2000-2004	1,891	309,486
Thereafter		90,853
Total minimum lease payments	32,770	1,354,797
Less amount representing imputed interest	7,625	
Present value of net minimum lease payments under capital leases	25,145	

A significant portion of the leases is in respect of railway rolling stock and many of them provide renewal options and an option to purchase the property at fair market value at the end of the lease terms.

(ii) Rental expenses under all lease arrangements which have not been capitalized were:

	Year ended December 31		
	1989	1988	1987
	(in thousands of dollars)		
Total expenses	140,628	154,719	173,329
Expenses under pre-1982 capital leases included in total expenses	28,027	35,506	43,188

CANADIAN NATIONAL RAILWAY SYSTEM—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—*Continued*

(iii) Increases in income, assets and liabilities in the consolidated financial statements, which would have arisen if leases entered into prior to 1982 and which satisfied the criteria for capital leases had been capitalized, are as follows:

	Year ended December 31		
	1989	1988	1987
	(in thousands of dollars)		
Net increase in income	9,969	11,810	13,132
Increase in assets			
Properties			
Leased properties under capital leases	136,675	241,538	246,280
Less accumulated amortization	117,555	210,335	199,660
	19,120	31,203	46,620
Other assets and deferred charges			
Unamortized deferred exchange loss	813	3,671	10,172
	19,933	34,874	56,792
Increase in current liabilities			
Present value of obligations under capital leases	10,735	25,964	30,900
Increase in non-current liabilities			
Present value of obligations under capital leases	24,093	47,216	73,726
Adjustment to current exchange rate (see Note 1 (i))	1,052	3,925	11,456
	25,145	51,141	85,182
Less current portion	10,734	25,964	30,900
	14,411	25,177	54,282

(b) Other

The Company has commitments at December 31, 1989, for capital expenditures of $21.8 million for railway ties and $12.7 million for rail. In addition, the Company at that date was committed to suppliers for new locomotives having a value of $59.7 million, expected to be obtained under lease arrangements.

9. Subsidies

Revenues include the following subsidies:

	Year ended December 31		
	1989	1988	1987
	(in thousands of dollars)		
Government of Canada			
(a) Payments under the Railway Act paid under authority of that Act and the related Appropriation Act in respect of certain uneconomic operations, services and prescribed rates which railways are required by the Railway Act to maintain	32,818	48,854	37,661
(b) Maritime Freight Rates Act and Atlantic Region Freight Assistance Act subsidies	17,381	19,971	18,520
(c) Sundry	548	2,510	1,884
Other assistance		391	134
	50,747	71,726	58,199

10. Pensions

The Company has retirement benefit plans covering substantially all its employees under which they are entitled to benefits at retirement age generally based on compensation and length of service and/or contributions.

The actuarial valuations as at December 31, 1988, revealed a consolidated actuarial liability of $6.7 billion and a consolidated actuarial asset value of $5.9 billion. It is estimated that those amounts could approximate $7.0 billion and $6.5 billion respectively as at December 31, 1989. Subsequent actuarial valuations will determine the actual values at that date.

Annual pension costs were:

Year ended December 31		
1989	1988	1987
(in thousands of dollars)		
156,552	165,784	200,731

11. System interest expense

	Year ended December 31		
	1989	1988	1987
	(in thousands of dollars)		
Interest			
Total interest on long-term debt	214,272	318,297	367,142
Interest on short-term borrowings	217	2,431	7,175
Interest income	(15,332)	(20,269)	(2,435)
	199,157	300,459	371,882

CANADIAN NATIONAL RAILWAY SYSTEM—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—*Continued*

12. Income taxes:

(a) The Company's provision for income taxes is made up as follows:

	Year ended December 31		
	1989	1988	1987
	(in thousands of dollars)		
Provision for income taxes based on combined basic Canadian federal and provincial tax rate for 1989 of 40.8% (1988—44.7%, 1987—48.6%)	104,870	70,206	77,701
Increase (decrease) in taxes resulting from:			
Non-allowable portion of capital loss on early extinguishment of debt		17,670	
Capital losses not allowed for current year		12,726	
Non-allowable foreign exchange loss on conditional sale agreements	414	686	1,347
Profit on sale of land	(22,858)	(6,060)	(6,785)
Federal large corporations tax	4,000		
Other	3,815	4,575	3,775
Actual provision for income taxes resulting in an effective tax rate for 1989 of 35.1% (1988—63.6%, 1987—47.6%)	90,241	99,803	76,038

(b) The following provides a summary of income tax balances:

	Year ended December 31		
	1989	1988	1987
	(in thousands of dollars)		
Annual provision	90,241	99,803	76,038
Extraordinary items			
Disposal of business units		114,958	2,381
Writedown of assets		(28,051)	(20,933)
Closure of discontinued operation		(41,304)	
Application of prior years' losses	(39,210)	(141,057)	(56,364)
Net tax expense	51,031	4,349	1,122
Payable in current year	6,461	4,349	1,122
Deferred to future years	44,570		

Deferred income taxes result primarily from the difference between capital cost allowance claimed for income tax and depreciation recorded for accounting purposes.

(c) Investment tax credits are also available to reduce future income taxes otherwise payable until the related year of expiry:

Year of expiry	(in millions of dollars)
1993	25.9
1994	33.9
1995	29.7
1996	18.9
1997	14.0
1998	9.0

13. Segmented information

(a) Geographic areas

Virtually all of the System's operations and assets are within Canada with the exception of Grand Trunk Corporation which operates in the United States.

(b) International traffic

In addition to the revenue generated by Grand Trunk Corporation, the System derives revenue from traffic originating or terminating on railroads in the United States. In 1989, such revenues approximated $622 million (1988—$668 million, 1987—$612 million).

(c) Revenues by division

	Year ended December 31		
	1989	1988	1987
	(in thousands of dollars)		
CN Rail	3,528,331	3,792,115	3,732,294
Grand Trunk Corporation	461,312	477,816	486,044
Enterprises group			
CN Exploration	30,283	27,568	36,820
CN Real Estate	103,293	56,312	54,102
Other	80,301	56,004	40,783
Discontinued operations			
TerraTransport		1,459	4,259
CN Communications		236,884	296,250
CN Hotels		26,524	135,010
	4,203,520	4,674,682	4,785,562

(d) Identifiable assets by division

	Year ended December 31		
	1989	1988	1987
	(in thousands of dollars)		
CN Rail	6,143,025	6,006,443	6,203,938
Grand Trunk Corporation	591,993	611,912	623,715
Enterprises group			
CN Exploration	70,288	65,239	67,157
CN Real Estate	218,216	141,140	93,603
Other	81,829	81,301	77,685
Discontinued operations			
TerraTransport			9,874
CN Communications			517,677
	7,105,351	6,906,035	7,593,649

CANADIAN NATIONAL RAILWAY SYSTEM—*Concluded*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—*Concluded*

(e) Capital expenditures and depreciation by division

	Year ended December 31					
	Capital Expenditures*			Depreciation		
	1989	1988	1987	1989	1988	1987
	(in thousands of dollars)					
CN Rail	293,816	283,723	355,146	239,020	234,794	211,045
Grand Trunk Corporation	18,194	14,370	12,554	14,494	14,157	14,473
Enterprises group						
CN Exploration	13,302	9,868	9,147	8,138	9,798	10,723
CN Real Estate	44,487	28,560	17,981	1,419	1,102	1,027
Other	1,161	185	340	1,696	1,880	1,937
Discontinued operations						
TerraTransport			589			2,461
CN Communications		49,613	68,094		31,789	45,085
CN Hotels			18,207			6,023
	370,960	386,319	482,058	264,767	293,520	292,774

* Represents additions to properties.

14. Other matters

(a) The Company carries on ordinary business transactions with various entities controlled by the Government of Canada on the same terms and conditions as current transactions with unrelated parties.

In addition, the Company provides, under contractual arrangements, rail transportation and maintenance services to the Government of Canada and to entities controlled by the latter. The revenue derived from such services rendered in 1989 aggregated $101.5 million (1988—$103.3 million, 1987—$148.2 million).

(b) Following enactment of the Western Grain Transportation Act, which became effective on January 1, 1984, the Government of Canada, in order to minimize the cost to grain shippers, pays a portion of the cost of shipping grain. Amounts received from the Government of Canada under the Western Grain Transportation Act amounted to $332.6 million in 1989 (1988—$416.0 million, 1987—$435.3 million), a reflection of the volume of grain handled.

(c) Commencing in 1977, the Government of Canada has agreed to pay to the Company, by way of capital grants not exceeding $557.9 million, certain amounts with respect to expenditures incurred in carrying out rehabilitation programs for branch lines in Western Canada. Total payments received up to December 31, 1989, amounted to $469.8 million of which $0.5 million was received in 1989 (1988—$12.3 million, 1987—$25.6 million).

15. Reclassification of comparative figures

During 1989, changes were made to improve the classification of certain items and for comparative purposes the 1988 and 1987 figures have been reclassified.

CANADIAN NATIONAL (WEST INDIES) STEAMSHIPS LTD.

AUDITOR'S REPORT

TO THE MINISTER OF TRANSPORT

I have examined the balance sheet of Canadian National (West Indies) Steamships Ltd. as at December 31, 1989 and the statement of income and retained earnings for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the corporation as at December 31, 1989 and the results of its operations for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the corporation that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with Part X of the Financial Administration Act and regulations, the Canada Business Corporations Act and the by-laws of the corporation.

Raymond Dubois, F.C.A.
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
February 28, 1990

BALANCE SHEET AS AT DECEMBER 31, 1989

ASSETS	1989	1988	LIABILITIES	1989	1988
	$	$		$	$
Cash	1,381	1,405	Matured bonds—Unclaimed (Note 3)	14,025	14,025
Deposit with Receiver General for Canada	95,000	95,000	Due to Canada (Note 4)	324,024	324,024
Blocked funds (Note 2)	1,396,986	1,252,909		338,049	338,049
			EQUITY OF CANADA		
			Capital stock		
			Authorized and issued		
			10 Class A shares without par value	976	976
			Retained earnings	1,154,342	1,010,289
				1,155,318	1,011,265
	1,493,367	1,349,314		1,493,367	1,349,314

Approved by the Board of Directors:

V. MALIZIA
Chairman

M. BRENNAN
Director

CANADIAN NATIONAL (WEST INDIES) STEAMSHIPS LTD.—*Concluded*

STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 1989

	1989	1988
	$	$
Interest income	144,118	97,673
Filing fee and bank charges	65	105
Net income for the year	144,053	97,568
Retained earnings at beginning of the year	1,010,289	912,721
Retained earnings at end of the year	1,154,342	1,010,289

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1989

1. Authority and activities

Canadian National (West Indies) Steamships Ltd. was incorporated in 1927 under the Dominion Companies Act and continued under the Canada Business Corporations Act. It is a parent Crown corporation named in Schedule III Part I to the Financial Administration Act. It ceased all active operations in 1957, at which time it sold its fleet of eight vessels to Cuban interests.

On October 29, 1985, Parliament passed the Crown Corporations Dissolution Authorization Act which authorized the Minister of Finance to dissolve the corporation.

An assignment has been prepared in which the corporation transfers to Her Majesty in Right of Canada all its rights and interests in, to or arising out of the letter of credit referred to in Note 2 below. However, this document has not yet been executed since the consent from BankAmerica International to this assignment and their acknowledgement that payment under the letter of credit will be made to Her Majesty in Right of Canada, have not yet been received.

Accordingly, the corporation remains to be dissolved and as such the blocked funds are still recorded as an asset of the corporation.

The dissolution process will be completed when the consent and acknowledgement are received from BankAmerica International.

2. Blocked funds

The final instalment of $470,400 on the sale of the eight vessels to Cuban interests was due to be paid on August 19, 1963 by an irrevocable letter of credit issued through BankAmerica International (then known as Bank of America). However, on July 3, 1963, the United States Cuban Assets Control Regulations became effective and prohibited the Bank from honouring payment of the draft. Amendments to the Regulations, effective March 2, 1979 required blocked funds to be held in an interest-bearing account. At December 31, 1989, accrued interest amounted to $929,375 (1988—$782,509).

Since 1984, the BankAmerica International has withheld 15% of interest earned on the funds blocked at the Bank by the Cuban Asset Regulations as a tax on non-resident earnings. To date $106,201 has been withheld including interest on the withheld funds of $28,167. In management's opinion, the tax exempt status of the corporation is preserved in the United States by the Tax Convention of 1980, as amended. Therefore, amounts withheld and the interest forgone thereupon have been included in income and assets and accordingly no liability recorded.

Negotiations to recover the blocked funds have been unsuccessful and all legal proceedings have been suspended until the U.S. Regulations are repealed.

3. Matured bonds—Unclaimed

The matured bonds have been unclaimed since March 1, 1955 and as a result of the statute of limitations there is no legal obligation to redeem them. However, the corporation intends to honour any of the outstanding bonds should they be presented.

4. Due to Canada

The advances from Canada bear no interest and are repayable when the blocked funds are received.

CANADIAN PATENTS AND DEVELOPMENT LIMITED

AUDITOR'S REPORT

TO THE MINISTER OF INDUSTRY, SCIENCE AND TECHNOLOGY

I have examined the balance sheet of Canadian Patents and Development Limited as at March 31, 1990 and the statements of operations and surplus and changes in cash resources for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1990 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with Part X of the Financial Administration Act and regulations, the Canada Business Corporations Act and by-laws of the Corporation.

Raymond Dubois, F.C.A.
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
June 6, 1990

BALANCE SHEET AS AT MARCH 31, 1990

ASSETS	1990	1989
	$	$
Current		
Cash	327,900	204,978
Short-term investments	648,661	447,999
Accounts receivable	530,349	796,306
Accrued interest	8,249	5,946
Prepaid expenses	11,223	9,816
	1,526,382	1,465,045
Industrial and intellectual property rights (Notes 2, 3 and 5)	1	1
Furniture and equipment (Notes 2 and 4)	1	1
	1,526,384	1,465,047

LIABILITIES	1990	1989
	$	$
Current		
Accounts payable and accrued liabilities	516,786	680,671
Royalties received in advance	85,133	82,375
	601,919	763,046
Provision for employee termination benefits	266,888	241,151
	868,807	1,004,197
EQUITY OF CANADA		
Capital stock		
Authorized—10,000 shares without par value		
Issued—5,000 shares fully paid	296,199	296,199
Surplus	361,378	164,651
	657,577	460,850
	1,526,384	1,465,047

Approved by the Board:

NORMAND PLANTE
Director

JOAN CLARK
Director

CANADIAN PATENTS AND DEVELOPMENT LIMITED—*Continued*

STATEMENT OF OPERATIONS AND SURPLUS
FOR THE YEAR ENDED MARCH 31, 1990

	1990	1989
	$	$
Revenue		
Royalties	2,169,807	1,797,971
Service charges under agency agreements	94,434	110,946
Interest on investments	130,375	73,903
Interest on overdue accounts	33,851	15,687
Miscellaneous (Note 4)	88,982	1,586
	2,517,449	2,000,093
Expenses		
Salaries and employee benefits	1,625,426	1,454,056
Industrial and intellectual property agents' fees and related expenses, for obtaining and maintaining proprietary protection (Note 5)	459,233	563,203
Accommodation, equipment and other rentals	274,988	241,399
Professional and special services	198,900	207,334
Office supplies, printing, furnishings and equipment	103,167	125,548
Travel and removal	79,381	121,136
Awards to inventors	148,566	119,884
Costs of licensing rights	63,282	112,813
Legal fees	39,491	77,631
Communications	56,537	43,817
Bad debts	54,672	33,574
Miscellaneous	16,079	9,876
	3,119,722	3,110,271
Cost of operations	602,273	1,110,178
Parliamentary appropriation	799,000	1,246,000
Excess of parliamentary appropriation over cost of operations for the year	196,727	135,822
Surplus at beginning of the year	164,651	28,829
Surplus at end of the year	361,378	164,651

STATEMENT OF CHANGES IN CASH RESOURCES
FOR THE YEAR ENDED MARCH 31, 1990

	1990	1989
	$	$
Cash used in operating activities		
Cost of operations	602,273	1,110,178
Items not requiring cash		
Provision for employee termination benefits	(46,543)	(36,468)
	555,730	1,073,710
Cash used in (provided by) non-cash working capital components		
Accounts receivable	(265,957)	327,869
Other current assets	3,711	(8,188)
Accounts payable and accrued liabilities	163,885	(98,762)
Royalties received in advance	(2,758)	13,617
	(101,119)	234,536
Payment of employee termination benefits	20,805	
Cash used in operating activities	475,416	1,308,246
Cash provided by financing activities		
Parliamentary appropriation	799,000	1,246,000
Increase (decrease) in cash resources	323,584	(62,246)
Cash and short-term investments at beginning of year	652,977	715,223
Cash and short-term investments at end of year	976,561	652,977

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1990

1. Authority and operations

Canadian Patents and Development Limited is a Crown corporation named in Part I of Schedule III to the Financial Administration Act and is incorporated under the Canada Business Corporations Act. The Corporation was established to make available to the public, through licensing arrangements with industry, the industrial and intellectual property which results from publicly-funded research and development.

The Corporation receives and processes industrial and intellectual property under arrangements with federal government departments, Crown corporations and agencies, universities, and other publicly-financed institutions. Suitable protection is sought in Canada and other countries for such property in instances where there is a promise of commercial use. In respect of money received from the exploitation of such property, the Corporation pays awards to public servants under the Public Servants Inventions Act and makes payments to other originators of such property in accordance with the agreements entered into with them.

2. Significant accounting policies

Industrial and intellectual property rights

Industrial and intellectual property rights are recorded at a nominal value of $1. The net cost of acquisition, protection and maintenance of industrial and intellectual property rights is charged to operations as incurred.

CANADIAN PATENTS AND DEVELOPMENT LIMITED—*Concluded*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1990—*Concluded*

Furniture and equipment

Furniture and equipment are recorded at a nominal value of $1. The cost of these items are charged to operations in the year of aquisition. Proceeds resulting from the sale of these items are credited to revenue in the year of disposal.

Employee termination benefits

Employees are entitled to specified benefits on termination as provided for under labour contracts and conditions of employment. The liability for these benefits is recorded as the benefits accrue to the employees.

Pension plan

Employees of the Corporation are covered by the Public Service Superannuation Plan administered by the Government of Canada. The Corporation's contributions to the cost of the Plan under present legislation are limited to an amount equal to the employees' contributions on account of current service. These contributions represent the total pension obligations of the Corporation and are recognized in the accounts on a current basis. The Corporation is not required under present legislation to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account or with respect to charges to the Consolidated Revenue Fund for indexation payments under the Supplementary Retirement Benefits Act.

3. Industrial and intellectual property rights

The accumulated cost of current inventory of unexpired patent and other rights in respect of industrial and intellectual property amounts to $5,000,953 (1989—$4,435,892).

4. Furniture and equipment

During the year experimental equipment was sold. The proceeds of $43,882 were credited to miscellaneous revenue.

5. Industrial and intellectual property agents' fees and related expenses, for obtaining and maintaining proprietary protection

	1990	1989
	$	$
Fees and related expenses	718,143	797,318
Less: recoveries	258,910	234,115
	459,233	563,203

6. Lease commitments

Under a lease agreement dated August 24, 1988 the Corporation pays an annual rent of $172,338 for accommodation. The period covered by this agreement is November 1, 1988 to October 31, 1993. The terms of the lease also require payment of certain operating costs over the lease period.

7. Subsequent Events

In April 1990, the Corporation was named in a claim for damages and costs allegedly sustained for loss of employment. The outcome of this action cannot be determined at this time.

On May 31 1990, Bill C-73, relating to the dissolution or transfer of certain Crown corporations, was introduced in the House of Commons. If passed, it would authorize the Minister of Industry, Science and Technology to procure the dissolution of the Corporation.

CANADIAN SALTFISH CORPORATION

AUDITOR'S REPORT

TO THE MINISTER OF FISHERIES AND OCEANS

I have examined the balance sheet of the Canadian Saltfish Corporation as at March 31, 1990 and the statements of operations, deficit and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1990 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with Part X of the Financial Administration Act and regulations, the Saltfish Act and the bylaws of the Corporation, except for the following activities: involvement in frozen fish products described in Notes 1 and 4; the provision of loans described in Note 5; and the liability incurred as a result of the guarantee of bank loans described in Note 8. In my opinion, these activities are not within the powers of the Corporation under the Saltfish Act.

Raymond Dubois, F.C.A.
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
June 8, 1990 (except as to Note 13, which is as of July 27, 1990)

BALANCE SHEET AS AT MARCH 31, 1990

ASSETS	1990	1989
	$	$
Current		
Cash	704,504	176,448
Accounts receivable (Note 9)		
Trade	4,587,724	8,933,956
Other	2,973,834	3,973,654
Inventories (Note 3)	3,839,360	7,829,669
Current portion of long-term receivable	697,807	838,167
Advances to frozen fish producers (Notes 4 and 9)	25,140	4,132,640
	12,828,369	25,884,534
Long-term		
Loans receivable (Notes 5 and 9)	990,036	631,449
Fixed (Note 6)		
Land, buildings and equipment	5,546,004	4,630,403
Less: accumulated depreciation	3,066,476	2,660,233
	2,479,528	1,970,170
	16,297,933	28,486,153

LIABILITIES	1990	1989
	$	$
Current		
Working capital loans from Canada (Note 7)	43,000,000	41,000,000
Accounts payable and accrued liabilities	6,537,548	2,422,101
Current portion of capital asset loans from Canada (Note 7)	100,000	
	49,637,548	43,422,101
Long-term		
Capital asset loans from Canada (Note 7)	900,000	
Accrued employee termination benefits	448,571	392,774
	1,348,571	392,774
DEFICIT OF CANADA		
Deficit	(34,688,186)	(15,328,722)
	16,297,933	28,486,153

Approved by the Board:

JAMES BARNES
Director

GREGORY C. VISCOUNT
Director

CANADIAN SALTFISH CORPORATION—*Continued*

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 1990

	1990	1989
	$	$
Saltfish products		
Sales	39,176,150	48,304,793
Less: freight and insurance	1,918,415	2,693,446
	37,257,735	45,611,347
Cost of goods sold		
Production costs	35,802,026	44,578,869
Transportation, storage and packaging	1,505,183	1,446,430
Other buying costs	1,185,911	1,053,021
	38,493,120	47,078,320
Gross loss on saltfish products	1,235,385	1,466,973
Frozen fish (Note 1)		
Sales	7,881,567	24,988,498
Cost of goods sold	7,881,567	24,988,498
Gross profit on frozen fish		
Gross loss before expenses	1,235,385	1,466,973
Expenses		
Interest—Current (Net of recoveries of $613,362; 1989—$990,077) (Note 1)	4,619,327	2,186,277
—Long-term	300	32,018
Net interest expense	4,619,627	2,218,295
Administrative (Net of recoveries of $209,825; 1989—$181,404) (Note 1)	1,065,724	865,904
Selling (Net of recoveries of $375,002; 1989—$869,057) (Note 1)	954,216	801,710
Gain on foreign exchange	(15,488)	(8,043)
	6,624,079	3,877,866
Net loss on operations	7,859,464	5,344,839
Bad debts (Note 9)	11,500,000	4,600,000
Net loss for the year	19,359,464	9,944,839

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1990

	1990	1989
	$	$
Funds were provided by (used for)		
Financing activities		
Increase in working capital loans from Canada	2,000,000	12,500,000
Increase in (repayment of) capital asset loans from Canada	1,000,000	(350,000)
	3,000,000	12,150,000
Operating activities		
Net loss for the year	(19,359,464)	(9,944,839)
Adjustments for non-cash items		
Bad debts	11,500,000	4,600,000
Depreciation	494,658	373,023
Gain on sale of fixed assets		(133,385)
Employee termination benefits	55,797	40,239
	(7,309,009)	(5,064,962)
Decrease in trade receivables	3,875,290	1,261,113
Increase in advances and other receivables	(5,821,738)	(2,795,137)
Decrease (increase) in inventories	3,990,309	(1,642,855)
Increase (decrease) in accounts payable	4,115,447	(1,374,567)
	(1,149,701)	(9,616,408)
Investing activities		
Increase in long-term loans receivable	(318,227)	(1,978,427)
Purchase of fixed assets	(1,004,016)	(888,540)
Proceeds from disposal of fixed assets		332,929
	(1,322,243)	(2,534,038)
Net funds provided (used)	528,056	(446)
Cash at beginning of the year	176,448	176,894
Cash at end of the year	704,504	176,448

STATEMENT OF DEFICIT
FOR THE YEAR ENDED MARCH 31, 1990

	1990	1989
	$	$
Balance at beginning of the year	15,328,722	5,383,883
Net loss for the year	19,359,464	9,944,839
Balance at end of the year	34,688,186	15,328,722

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1990

1. Authority, objectives and operations of the Corporation

The Canadian Saltfish Corporation was established by the Saltfish Act in 1970, to improve the earnings of the primary producers of cured codfish. The Corporation is an agent Crown corporation of Canada without share capital, named in Part I of Schedule III to the Financial Administration Act and is required to conduct its operations on a self-sustaining financial basis. The Corporation is dependent on the Government of Canada for working capital and capital asset loans and is not subject to income taxes.

The Corporation has the exclusive right to trade in and market cured codfish and its by-products in the Province of Newfoundland and the Lower North Shore of Quebec and is required to buy all cured codfish of an acceptable standard of quality offered for sale therein. Fish is purchased from fishermen, processed through its own facilities or by agents and is subsequently marketed by the Corporation, primarily to foreign countries.

CANADIAN SALTFISH CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1990—*Continued*

Frozen fish products

The Corporation markets frozen fish products under contractual arrangements with a number of companies. Under these agreements, the Corporation may make advances based on the projected market value to the producer. The balance of the market value received by the producing company is determined by the ultimate selling price and all related expenses. The Corporation also is involved in the role of marketing frozen fish products (traded fish) on behalf of independent producing companies. For providing these services the Corporation recovers its direct costs, certain overhead expenses and charges interest on advances.

To secure the Corporation's position against any possible third party claims against the producer, the Corporation takes title to the product when it leaves the plant. These transactions are recorded as sales and cost of goods sold in the statement of operations. The agreement with the producing company attributes any gain or loss on the ultimate sale of the product to the producer.

The total frozen fish sales that the Corporation was involved in marketing are as follows:

	1990	1989
	$	$
Frozen fish products	7,867,248	24,396,724
Traded frozen fish products	14,319	591,774
	7,881,567	24,988,498

During 1989-90, the Corporation ceased providing advances and marketing services for frozen fish products.

2. Significant accounting policies

Depreciation

Depreciation is calculated on the straight-line method and is based on the estimated useful lives of the assets as follows:

Buildings	20 years
Equipment	3 to 10 years
Furniture and fixtures	5 years

Foreign currency translation

Monetary assets and liabilities are translated at exchange rates in effect at the balance sheet date. Revenues and expenses are translated at the rate of exchange prevailing on the transaction date. The resulting foreign currency translation gains and losses are included in the results of operations.

Pension plan

Employees are covered by the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the plan are required from both the employee and the Corporation. Contributions with respect to current services are expensed on a current basis.

Employee termination benefits

Employees are entitled to specific benefits on termination as provided for under labour contracts and conditions of employment. The liability for these benefits is recorded in the accounts as the benefits accrue to the employees.

3. Inventories

	1990	1989
	$	$
Saltfish, at lower of cost and net realizable value	2,971,452	5,561,767
Packages and supplies, at cost	504,593	672,830
Salt, at cost	363,315	192,892
	3,839,360	6,427,489
Frozen fish, at lower of cost and net realizable value		1,402,180
	3,839,360	7,829,669

4. Advances to frozen fish producers

This account consists of the remaining balance of working capital advances to frozen fish producers. (See Note 9).

5. Long-term loans receivable

This account consists primarily of loans to fish producers to acquire and refurbish fishing vessels and to acquire production equipment. Under the various agreements and arrangements, the Corporation and certain of its agents have been assured a long-term source of supply of larger sized codfish. The repayment terms require the payment of interest at terms ranging from the Bank of Canada rate plus 1% to the Royal Bank of Canada prime rate plus 1%. The loans are secured by mortgages on the vessels and other assets. (See Note 9).

6. Fixed assets

	1990			1989
	Cost	Accumulated depreciation	Net book value	Net book value
	$	$	$	$
Land	79,095		79,095	77,274
Buildings	1,343,538	681,982	661,556	726,528
Equipment	3,606,786	2,179,018	1,427,768	1,074,375
Furniture and fixtures	516,585	205,476	311,109	91,993
	5,546,004	3,066,476	2,479,528	1,970,170

7. Loans from Canada

Working capital loans are interest bearing (based upon current rates as set by the Bank of Canada) and are repayable within one year.

The $1,000,000 capital asset loan, received on March 30, 1990, is repayable in 10 yearly instalments and has an interest rate of 10.94 %.

Total loans outstanding from Canada and banks shall not exceed $50 million.

8. Loan guarantees

As disclosed in prior years, the Corporation has guaranteed certain bank loans of a fish producer. During 1989-90, the fish producer defaulted on repayment of these bank loans. As of March 31, 1990, approximately $4.9 million, representing the Corporation's liability under this guarantee has been provided in these financial statements and is included in the bad debts expense in the statement of operations. (See Note 9).

CANADIAN SALTFISH CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1990—*Concluded*

9. Bad debts

The Corporation has trade and other receivables, advances and loans outstanding from processors, agents and customers. A group of companies that is a major debtor to the Corporation went into receivership during the year. The majority of the bad debts expense is related to deficiencies in the estimated net realizable values of assets held as security from this group of companies. In addition, the Corporation has provided a general allowance in recognition of management's uncertainty of collecting the full amounts of receivables, advances and loans outstanding.

10. Economic relationship

The Corporation had significant transactions with a group of companies sharing common ownership. During the year, 28% (1989—$46%) of saltfish sales at commercial rates were made to members of this group of companies. In addition, 92% (1989—44%) of frozen fish transactions were made on behalf of members of this group of companies.

As at March 31, 1990 the Corporation had loans, advances and receivables totalling approximately $15 million from this group of companies against which $13.8 million has been provided. (See Note 9).

11. Related party transactions

The Corporation sold approximately $5,700,000 (1989—$3,800,000) of saltfish products to the Canadian International Development Agency. These transactions were in the normal course of business and at regular commercial rates.

During the year, the Corporation operated a fishermen's service facility at Punchbowl, Labrador on behalf of the Department of Fisheries and Oceans for a nominal annual consideration. Under the terms of the contract, the Corporation is to provide and maintain a fish purchasing and processing station and certain facilities for the fishermen during the regular fishing season.

12. Remuneration to foreign sales agents

During the year $87,902 (1989—$60,673) was paid to fourteen foreign sales agents with whom the Corporation has commission agents' agreements. For reasons of commercial confidentiality, the Corporation does not publish the names of its foreign sales agents.

13. Subsequent event

On July 27, 1990, the Government of Canada authorized the provision of financial assistance to the Corporation. The assistance will permit the Corporation to continue operations within its $50 million authorized borrowing limit during 1990-91.

14. Comparative figures

Certain of the 1989 comparative figures have been reclassified to conform to the current year's presentation.

CANADIAN SALTFISH CORPORATION—*Continued*

AUDITOR'S REPORT

TO THE MINISTER OF FISHERIES AND OCEANS

I have examined the balance sheet of the Canadian Saltfish Corporation as at March 31, 1989 and the statements of operations, deficit and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1989 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with Part X of the Financial Administration Act and regulations, the Saltfish Act and the bylaws of the Corporation, except for the following activities: involvement in frozen fish products described in Notes 1 and 4; the provision of loans described in Note 5; and the guarantee of bank loans described in Note 8(i). In my opinion, these activities are not within the powers of the Corporation under the Saltfish Act.

Kenneth M. Dye, F.C.A.
Auditor General of Canada

Ottawa, Canada
November 8, 1989

BALANCE SHEET AS AT MARCH 31, 1989

ASSETS	1989	1988
	$	$
Current		
Cash	176,448	176,894
Accounts receivable (Note 9)		
Trade	8,933,956	10,195,069
Other	3,973,654	3,805,434
Inventories (Note 3)	7,829,669	6,186,814
Current portion of long term receivable	838,167	397,182
Advances to frozen fish producers (Notes 4 and 9)	4,132,640	4,158,708
	25,884,534	24,920,101
Long-term		
Loans receivable (Notes 5 and 9)	631,449	1,041,022
Fixed (Note 6)		
Land, buildings and equipment	4,630,403	4,025,111
Less: accumulated depreciation	2,660,233	2,370,914
	1,970,170	1,654,197
	28,486,153	27,615,320

LIABILITIES	1989	1988
	$	$
Current		
Working capital loans from Canada (Note 7)	41,000,000	28,500,000
Accounts payable and accrued liabilities	2,422,101	3,796,668
Current portion of capital asset loans from Canada (Note 7)		150,000
	43,422,101	32,446,668
Long-term		
Capital asset loans from Canada (Note 7)		200,000
Accrued employee termination benefits	392,774	352,535
	392,774	552,535
Commitments and contingencies (Note 8)		
DEFICIT OF CANADA		
Deficit	(15,328,722)	(5,383,883)
	28,486,153	27,615,320

Approved by the Board:

J. BARNES
Director

W.R. MOYSE
Director

CANADIAN SALTFISH CORPORATION—*Continued*

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 1989

	1989	1988
	$	$
Saltfish products		
Sales	48,304,793	52,824,043
Less: freight and insurance	2,693,446	2,115,100
	45,611,347	50,708,943
Cost of goods sold		
Production costs	44,578,869	45,067,630
Transportation, storage and packaging	1,446,430	1,412,454
Other buying costs	1,053,021	1,196,184
	47,078,320	47,676,268
Gross (loss) profit on saltfish products	(1,466,973)	3,032,675
Frozen fish (Note 1)		
Sales	24,988,498	32,390,802
Cost of goods sold	24,988,498	32,390,802
Gross profit on frozen fish		
Gross (loss) profit before expenses	(1,466,973)	3,032,675
Expenses		
Interest—Current (Net of recoveries of $990,077; 1988—$875,654) (Note 1)	2,186,277	1,148,326
—Long-term	32,018	48,354
Net interest expense	2,218,295	1,196,680
Administrative (Net of recoveries of $181,404; 1988—$183,139) (Note 1)	865,904	738,574
Selling (Net of recoveries of $869,057; 1988—$1,060,903) (Note 1)	801,710	694,402
(Gain) loss on foreign exchange	(8,043)	138,665
	3,877,866	2,768,321
Net (loss) profit on operations	(5,344,839)	264,354
Unusual items		
Bad debt allowance (Note 9)	4,600,000	907,989
Legal fees (Note 8(iii))		522,599
Net loss for the year	9,944,839	1,166,234

STATEMENT OF DEFICIT
FOR THE YEAR ENDED MARCH 31, 1989

	1989	1988
	$	$
Balance at beginning of the year	5,383,883	4,217,649
Net loss for the year	9,944,839	1,166,234
Balance at end of the year	15,328,722	5,383,883

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1989

	1989	1988
	$	$
Funds were provided by (used for)		
Financing activities		
Increase in working capital loans from Canada	12,500,000	5,000,000
Repayment of capital asset loans from Canada	(350,000)	(150,000)
	12,150,000	4,850,000
Operating activities		
Net loss for the year	(9,944,839)	(1,166,234)
Adjustments for non-cash items		
Bad debt allowance	4,600,000	907,989
Depreciation	373,023	313,067
Gain on sale of fixed assets	(133,385)	(8,312)
Employee termination benefits	40,239	45,454
	(5,064,962)	91,964
Increase in trade and other balances	(696,591)	(10,381,619)
Increase in bad debt allowance	(2,652,985)	
(Increase) decrease in inventories	(1,642,855)	6,711,422
	(10,057,393)	(3,578,233)
Investing activities		
Decrease (increase) in long-term loans receivable	409,573	(1,041,022)
Increase in bad debt allowance	(1,947,015)	
Purchase of fixed assets	(888,540)	(661,027)
Proceeds from disposal of fixed assets	332,929	
Collection of long-term account receivable		64,611
	(2,093,053)	(1,637,438)
Net funds used	(446)	(365,671)
Cash at beginning of the year	176,894	542,565
Cash at end of the year	176,448	176,894

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1989

1. Authority, objectives and operations of the Corporation

The Canadian Saltfish Corporation was established by the Saltfish Act in 1970, to improve the earnings of the primary producers of cured codfish. The Corporation is an agent Crown corporation of Canada without share capital, named in Part I of Schedule III to the Financial Administration Act and is required to conduct its operations on a self-sustaining financial basis. The Corporation is dependent on the Government of Canada for working capital and capital asset loans and is not subject to income taxes.

The Corporation has the exclusive right to trade in and market cured codfish and its by-products in the Province of Newfoundland and the Lower North Shore of Quebec and is required to buy all cured codfish of an acceptable standard of quality offered for sale therein. Fish is purchased from fishermen, processed through its own facilities or by agents and is subsequently marketed by the Corporation, primarily to foreign countries.

CANADIAN SALTFISH CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1989—*Continued*

Frozen fish products

The Corporation markets frozen fish products under contractual arrangements with a number of companies. Under these agreements, the Corporation may make advances based on the projected market value to the producer. The balance of the market value received by the producing company is determined by the ultimate selling price and all related expenses. The Corporation also is involved in the role of marketing frozen fish products (traded fish) on behalf of independent producing companies. For providing these services the Corporation recovers its direct costs, certain overhead expenses and charges interest on advances.

To secure the Corporation's position against any possible third party claims against the producer, the Corporation takes title to the product when it leaves the plant. These transactions are recorded as sales and cost of goods sold in the statement of operations. The agreement with the producing company attributes any gain or loss on the ultimate sale of the product to the producer.

The total frozen fish sales that the Corporation was involved in marketing are as follows:

	1989	1988
	$	$
Frozen fish products	24,396,724	32,084,990
Traded frozen fish products	591,774	305,812
	24,988,498	32,390,802

2. Significant accounting policies

Depreciation

Depreciation is calculated on the straight-line method and is based on the estimated useful lives of the assets as follows:

Buildings	20 years
Equipment	3 to 10 years
Furniture and fixtures	5 years

Foreign currency translation

Monetary assets and liabilities are translated at exchange rates in effect at the balance sheet date. Revenues and expenses are translated at the rate of exchange prevailing on the transaction date. The resulting foreign currency translation gains and losses are included in the results of operations.

Pension plan

Employees are covered by the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the plan are required from both the employee and the Corporation. Contributions with respect to current services are expensed on a current basis.

Employee termination benefits

Employees are entitled to specific benefits on termination as provided for under labour contracts and conditions of employment. The liability for these benefits is recorded in the accounts as the benefits accrue to the employees.

3. Inventories

	1989	1988
	$	$
Saltfish, at lower of cost and net realizable value	5,561,767	3,435,777
Packages and supplies, at cost	672,830	668,329
Salt, at cost	192,892	192,376
	6,427,489	4,296,482
Frozen fish, at lower of cost and net realizable value	1,402,180	1,890,332
	7,829,669	6,186,814

4. Advances to frozen fish producers

This account consists of working capital advances to frozen fish producers. The Corporation has a mortgage on plant and equipment to secure a portion of these advances.

5. Long-term loans receivable

This account consists primarily of loans to fish producers to acquire and refurbish fishing vessels and to acquire production equipment. Under the various agreements and arrangements, the Corporation and certain of its agents have been assured a source of supply of larger sized codfish for at least the next five years (see Note 8(i)). The repayment terms require the payment of interest at terms ranging from the Bank of Canada rate plus 1% to the Royal Bank of Canada prime rate plus 1%. The loans are secured by mortgages on the vessels and other assets (see Note 9).

6. Fixed assets

	1989			1988
	Cost	Accumulated depreciation	Net book value	Net book value
	$	$	$	$
Land	77,274		77,274	117,274
Buildings	1,318,010	591,482	726,528	692,770
Equipment	2,936,520	1,862,145	1,074,375	749,243
Furniture and fixtures	298,599	206,606	91,993	94,910
	4,630,403	2,660,233	1,970,170	1,654,197

7. Loans from Canada

Working capital loans are interest bearing (based upon current rates as set by the Bank of Canada) and are repayable within one year.

The remaining balance of capital asset loans was repaid during the year.

Total loans outstanding from Canada and banks shall not exceed $50 million.

8. Commitments and contingencies

(i) Loan guarantees

The Corporation has guaranteed bank loans of a fish producer in the amount of $4,534,000 as at March 31,1989 ($3,720,000 as at March 31, 1988). The loans were used to finance the construction and refurbishing of fishing vessels.

The loan guarantees are secured by mortgages on vessels owned or controlled by the fish producer and its affiliated companies (see Note 9).

CANADIAN SALTFISH CORPORATION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1989—*Concluded*

(ii) Operating lease

During the year, the Corporation operated a fishermen's service facility at Punchbowl, Labrador on behalf of the Department of Fisheries and Oceans for a nominal annual consideration. This was the second year of operation under the terms of a five year contract.

Under the terms of the contract, the Corporation is to provide and maintain a fish purchasing and processing station and certain facilities for the fishermen during the regular fishing season.

(iii) Legal action

The Corporation, other segments of the Canadian saltfish industry and certain Puerto Rican importers have been named in an anti-trust action. Subsequent to March 31, 1989 a tentative settlement was reached in this action. Any costs as a result of this settlement will be recognized in the 1989-90 financial statements.

9. Bad debt allowance

(i) 1988-89

The Corporation has trade and other receivables, advances, loan guarantees and loans outstanding from processors, agents and customers. Due to the recent general downturn in the fishing industry in Atlantic Canada, management is uncertain of collection of the full amounts. The net realizable values of the underlying collateral securities held by the Corporation may have deteriorated since registration. Accordingly, an allowance of $4.6 million has been provided.

(ii) 1987-88

An additional allowance on a receivable, outstanding since 1984, was provided to recognize the uncertainty of collection of the full balance of the receivable.

10. Economic relationship

The Corporation had significant transactions with a group of companies sharing common ownership. During the year, 46% of saltfish sales at commercial rates were made to members of this group of companies. In addition, 44% of frozen fish transactions were made on behalf of members of this group of companies.

As at March 31, 1989 the Corporation had loans, advances and receivables totalling $8.8 million from this group of companies and has guaranteed bank loans of $4,534,000 of one of these companies.

Subsequent to March 31, 1989, in accordance with contractual obligations, the Corporation continued to provide loans and advances to this group of companies. As of October 31, 1989 the Corporation had loans, advances and receivables totalling $8.6 million from this group of companies and has guaranteed bank loans of $4,534,000 for one of these companies (see Note 9).

11. Related party transactions

The Corporation sold approximately $3,800,000 (1988—$2,700,000) of saltfish products to the Canadian International Development Agency. These transactions were in the normal course of business and at regular commercial rates.

12. Remuneration to foreign sales agents

During the year $60,673, (1988—$133,711) was paid to fourteen foreign sales agents with whom the Corporation has commission agents' agreements. For reasons of commercial confidentiality, the Corporation does not publish the names of its foreign sales agents.

13. Subsequent events

Subsequent to March 31, 1989 a fishing vessel, assigned as partial security for a loan to a fish producer, was lost at sea. Management is of the opinion that insurance proceeds will be sufficient to recover the outstanding loan on this vessel.

THE CANADIAN WHEAT BOARD

AUDITORS' REPORT

TO THE CANADIAN WHEAT BOARD

We have examined the balance sheet of The Canadian Wheat Board as at July 31, 1989, and the statements of operations for the 1988-89 pool accounts for wheat, amber durum wheat, barley and designated barley for the period August 1, 1988, to completion of operations on September 30, 1989, the statement of operations for the 1988-89 pool account for designated oats for the period August 1, 1988, to completion of operations on December 31, 1989, the statement of operations for the 1988-89 pool account for oats for the period August 1, 1988, to completion of operations on March 9, 1990, the statement of administrative and general expenses and allocations to operations for the year ended July 31, 1989, the statement of advance payments to producers under the Prairie Grain Advance Payments Act as at July 31, 1989, and the statement of special account transactions for the year ended July 31, 1989. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Board as at July 31, 1989, and the results of operations for the periods shown, in accordance with generally accepted accounting principles consistently applied.

Deloitte Haskins & Sells
Chartered Accountants

Winnipeg, Canada
March 9, 1990

BALANCE SHEET AS AT JULY 31, 1989
(with prior year figures for comparison)

EXHIBIT I

ASSETS	1989	1988
	$	$
Stocks of grain (Note 1(a))		
Wheat	646,419,957	51,855,201
Durum	130,206,714	119,446,586
Oats	26,098,738	12,127,201
Designated Oats	2,688,284	298,140
Barley	187,609,928	
Designated Barley	31,308,222	14,530,982
	1,024,331,843	198,258,110
Bills of exchange plus accrued interest (Note 2)	3,701,171,827	3,572,718,038
Accounts receivable (Note 3)		
Amounts due on completed sales	53,450,801	46,258,233
Sundry	17,761,236	28,999,520
Prairie Grain Advance Payments Act	44,633,801	116,665,207
Due from the Government of Canada re: deficit on Pool Account operations		
1988-89 Pool Account—Oats	32,361,239	
The Canadian Wheat Board Building, Winnipeg, at cost less depreciation	1,611,503	1,721,640
Covered hopper cars, at cost less depreciation (Note 4)	60,516,037	63,568,184
Office furniture, equipment and automobiles, at cost less depreciation	1,190,416	977,190
Deferred charges—Trade (Note 5)		71,391,158
Deferred and prepaid expenses	1,999,562	1,973,456
	4,939,028,265	4,102,530,736

LIABILITIES	1989	1988
	$	$
Liability to banks (Note 6)	3,619,608,031	3,610,793,737
Liability to agents for grain purchased from producers (Note 7)	569,415,257	11,265,153
Liability to agents for deferred cash tickets (Note 8)	102,811,770	40,452,058
Accrued expenses and accounts payable (Note 9)	86,520,811	31,152,492
Outstanding adjustment and final payment cheques to producers		
Wheat	454,024	2,087,570
Durum	305,741	600,940
Oats	19,060	36,247
Designated Oats		432
Barley	44,627	165,107
Designated Barley	8,396	154,752
Special Account—Net balance of undistributed payment accounts (Note 10)	4,272,574	5,986,523
Provision for final payment expenses (Note 11)	2,734,927	885,912
Surpluses resulting from operations		
Pool Account		
Wheat	469,403,586	244,988,680
Durum	26,417,209	104,400,100
Oats		8,544,443
Designated Oats	3,327,644	1,165,968
Barley	16,788,430	19,805,777
Designated Barley	36,896,178	20,044,845
	4,939,028,265	4,102,530,736

W. E. JARVIS
Chief Commissioner

R. L. KRISTJANSON
Assistant Chief Commissioner

F. M. HETLAND
Commissioner

W. H. SMITH
Commissioner

R. H. KLASSEN
Commissioner

THE CANADIAN WHEAT BOARD—*Continued*

STATEMENT OF OPERATIONS

1988-89 POOL ACCOUNT—WHEAT
FOR THE PERIOD AUGUST 1, 1988, TO COMPLETION OF OPERATIONS ON SEPTEMBER 30, 1989
(with prior year figures for the 1987-88 Pool Account for comparison)

EXHIBIT II

	1988-89		1987-88	
	Tonnes	Amount	Tonnes	Amount
		$		$
Wheat acquired				
Purchased from Producers at Board initial prices basis in store Thunder Bay or Vancouver	14,218,367	2,377,546,508	15,476,040	1,744,509,029
Net tonnes acquired from the adjustment of overages and shortages, etc., at country and terminal elevators at Board initial prices basis in store Thunder Bay or Vancouver	135,496	23,334,599	63,217	6,959,936
Purchased from prior year Pool Account—Wheat			564,443	68,458,164
	14,353,863	2,400,881,107	16,103,700	1,819,927,129
Wheat sold				
Completed sales to July 31 basis in store Thunder Bay, Vancouver or Churchill				
Domestic	1,437,233		957,760	
Export	9,691,155		14,756,905	
Weight losses in transit and in drying	471		2,279	
	11,128,859	2,281,180,323	15,716,944	2,083,059,719
Wheat stocks—Being Wheat stocks on hand at July 31 stated at the ultimate value received from the sale thereof, basis in store Thunder Bay, Vancouver or Churchill				
Completed sales for the period subsequent to July 31				
Domestic	258,526			
Export	1,359,387		386,756	
Sale to the subsequent Pool Account—Wheat	1,607,091			
	3,225,004	646,419,957	386,756	51,855,201
	14,353,863	2,927,600,280	16,103,700	2,134,914,920
Surplus on Wheat transactions		526,719,173		314,987,791
Operating costs				
Carrying charges				
Carrying charges on Wheat stored in country elevators		43,576,178		37,105,198
Storage on Wheat stored in terminal elevators		14,168,229		16,037,805
		57,744,407		53,143,003
Interest, bank charges and net interest on other Board accounts		(33,651,756)		(17,785,610)
Demurrage/Despatch		(3,302,045)		(265,409)
Additional freight—Wheat shipped from country stations to terminal position		9,266,321		10,542,410
—Freight rate change		1,675,231		(1,513,861)
Handling and stop-off on Wheat warehoused at interior terminals		(19,809)		1,080,148
Drying charges		32,299		52,664
Interest and depreciation on Wheat Board hopper cars		7,627,680		4,737,960
Wheat Board administrative and general expenses		17,943,259		20,007,806
		57,315,587		69,999,111
Surplus on operations of the Board on the Pool Account—Wheat, for the period from August 1, 1988, to September 30, 1989 (1987-88 September 30, 1988)		469,403,586		244,988,680

THE CANADIAN WHEAT BOARD—*Continued*

STATEMENT OF OPERATIONS

1988-89 POOL ACCOUNT—AMBER DURUM WHEAT
FOR THE PERIOD AUGUST 1, 1988, TO COMPLETION OF OPERATIONS ON SEPTEMBER 30, 1989
(with prior year figures for the 1987-88 Pool Account for comparison)

EXHIBIT III

	1988-89		1987-88	
	Tonnes	Amount	Tonnes	Amount
		$		$
Durum acquired				
Purchased from Producers at Board initial prices basis in store Thunder Bay or Vancouver	2,254,359	420,780,711	2,708,407	321,361,389
Net tonnes acquired from the adjustment of overages and shortages, etc., at country and terminal elevators at Board initial prices basis in store Thunder Bay or Vancouver	17,902	3,306,710	15,103	1,810,663
Purchased from prior year Pool Account—Durum	200,258	33,626,638	621,128	76,928,140
	2,472,519	457,714,059	3,344,638	400,100,192
Durum sold				
Completed sales to July 31 basis in store Thunder Bay, Vancouver or Churchill				
Domestic	128,456		125,607	
Export	1,627,519		2,548,938	
Weight losses in transit and in drying	2,537		2,713	
	1,758,512	374,996,935	2,677,258	399,220,730
Durum stocks—Being Durum stocks on hand at July 31 stated at the ultimate value received from the sale thereof, basis in store Thunder Bay, Vancouver or Churchill				
Completed sales for the period subsequent to July 31				
Domestic	36,667		36,432	
Export	252,555		430,690	
Sale to the subsequent Pool Account—Durum	424,785		200,258	
	714,007	130,206,714	667,380	119,446,586
	2,472,519	505,203,649	3,344,638	518,667,316
Surplus on Amber Durum Wheat transactions		47,489,590		118,567,124
Operating costs				
Carrying charges				
Carrying charges on Durum stored in country elevators		10,827,316		9,140,017
Storage on Durum stored in terminal elevators		4,810,372		2,694,180
		15,637,688		11,834,197
Interest and bank charges		1,018,487		(1,452,155)
Demurrage/Despatch		(499,446)		(925,436)
Additional freight—Durum shipped from country stations to terminal position		414,599		493,233
—Freight rate change		444,893		(116,671)
Handling and stop-off on Durum warehoused at interior terminals		950		2,262
Drying charges		870		926
Interest and depreciation on Wheat Board hopper cars		1,209,389		829,173
Wheat Board administrative and general expenses		2,844,951		3,501,495
		21,072,381		14,167,024
Surplus on operations of the Board on the Pool Account—Durum, for the period from August 1, 1988, to September 30, 1989 (1987-88 September 30, 1988)		26,417,209		104,400,100

THE CANADIAN WHEAT BOARD—*Continued*

STATEMENT OF OPERATIONS

1988-89 POOL ACCOUNT—OATS
FOR THE PERIOD AUGUST 1, 1988, TO COMPLETION OF OPERATIONS ON MARCH 9, 1990
(with prior year figures for the 1987-88 Pool Account for comparison)

EXHIBIT IV

	1988-89		1987-88	
	Tonnes	Amount	Tonnes	Amount
		$		$
Oats acquired				
Purchased from Producers at Board initial prices basis in store Thunder Bay or Vancouver	777,978	124,324,483	256,132	23,100,925
Net tonnes acquired from the adjustment of overages and shortages, etc., at country and terminal elevators at Board initial prices basis in store Thunder Bay or Vancouver	1,142	184,604	386	33,409
Purchased from prior year Pool Account—Oats	32,575	5,918,150	70,285	8,865,289
	811,695	130,427,237	326,803	31,999,623
Oats sold				
Completed sales to July 31 basis in store Thunder Bay or Vancouver	555,953	84,692,443	251,141	30,148,393
Weight losses in transit and in drying	11		20	
Oats stocks—Being Oats stocks on hand at July 31 stated at the ultimate value received from the sale thereof, basis in store Thunder Bay or Vancouver				
Completed sales for the period subsequent to July 31	255,731	26,098,738	43,067	6,209,051
Sale to the subsequent Pool Account—Oats			32,575	5,918,150
	811,695	110,791,181	326,803	42,275,594
(Deficit) Surplus on Oats transactions		(19,636,056)		10,275,971
Operating costs				
Carrying charges				
Carrying charges on Oats stored in country elevators		4,408,605		539,261
Storage on Oats stored in terminal elevators		2,065,624		602,275
		6,474,229		1,141,536
Interest and bank charges		3,372,879		(149,220)
Demurrage/Despatch		(47,455)		47,455
Additional freight—Oats shipped from country stations to terminal position		1,396,375		272,321
—Freight rate change		24,552		(2,263)
Handling and stop-off		2,872		1,023
Drying charges		309		4,133
Interest and depreciation on Wheat Board hopper cars		417,360		85,409
Wheat Board administrative and general expenses		1,084,062		331,134
		12,725,183		1,731,528
(Deficit) Surplus on operations of the Board on the Pool Account—Oats, for the period from August 1, 1988, to March 9, 1990 (1987-88 September 30, 1988)		(32,361,239)		8,544,443

THE CANADIAN WHEAT BOARD—*Continued*

STATEMENT OF OPERATIONS

1988-89 POOL ACCOUNT—DESIGNATED OATS
FOR THE PERIOD AUGUST 1, 1988, TO COMPLETION OF OPERATIONS ON DECEMBER 31, 1989
(with prior year figures for the 1987-88 Pool Account for comparison) EXHIBIT V

	1988-89		1987-88	
	Tonnes	Amount	Tonnes	Amount
		$		$
Designated Oats acquired				
Purchased from Producers at Board initial prices basis in store Thunder Bay or Vancouver	222,987	42,337,292	76,321	9,261,146
Designated Oats sold				
Completed sales to July 31 basis in store Thunder Bay or Vancouver	212,530	43,006,260	74,434	10,166,104
Designated Oats stocks—Being Designated Oats stocks on hand at July 31 stated at the ultimate value received from the sale thereof, basis in store Thunder Bay or Vancouver				
Completed sales for the period subsequent to July 31	10,457	2,688,284	1,887	298,140
	222,987	45,694,544	76,321	10,464,244
Surplus on Designated Oats transactions		3,357,252		1,203,098
Operating costs				
Interest		(389,010)		(86,990)
Interest and depreciation on Wheat Board hopper cars		119,625		25,450
Wheat Board administrative and general expenses		298,993		98,670
		29,608		37,130
Surplus on operations of the Board on the Pool Account—Designated Oats, for the period from August 1, 1988, to December 31, 1989 (1987-88 September 30, 1988)		3,327,644		1,165,968

THE CANADIAN WHEAT BOARD—*Continued*

STATEMENT OF OPERATIONS

1988-89 POOL ACCOUNT—BARLEY
FOR THE PERIOD AUGUST 1, 1988, TO COMPLETION OF OPERATIONS ON SEPTEMBER 30, 1989
(with prior year figures for the 1987-88 Pool Account for comparison) EXHIBIT VI

	1988-89		1987-88	
	Tonnes	Amount	Tonnes	Amount
		$		$
Barley acquired				
Purchased from Producers at Board initial prices basis in store Thunder Bay or Vancouver	4,035,425	483,922,812	2,224,961	144,395,122
Net tonnes acquired from the adjustment of overages and shortages, etc., at country and terminal elevators at Board initial prices basis in store Thunder Bay or Vancouver	69,065	5,797,698	34,596	2,451,270
Purchased from prior year Pool Account—Barley				
	4,104,490	489,720,510	2,259,557	146,846,392
Barley sold				
Completed sales to July 31 basis in store Thunder Bay, Vancouver or Churchill	2,672,893	342,804,701	2,259,223	172,410,524
Weight losses in transit and in drying	54		334	
Barley stocks—Being Barley stocks on hand at July 31 stated at the ultimate value received from the sale thereof, basis in store Thunder Bay, Vancouver or Churchill				
Completed sales for the period subsequent to July 31	963,353	128,302,861		
Sale to the subsequent Pool Account—Barley	468,190	59,307,067		
	4,104,490	530,414,629	2,259,557	172,410,524
Surplus on Barley transactions		40,694,119		25,564,132
Operating costs				
Carrying charges				
Carrying charges on Barley stored in country elevators		10,930,743		639,467
Storage on Barley stored in terminal elevators		2,425,508		1,279,713
		13,356,251		1,919,180
Interest and bank charges		288,533		(2,940,186)
Demurrage/Despatch		(334,009)		2,678,089
Additional freight—Barley shipped from country stations to terminal position		1,755,367		864,102
—Freight rate change		1,581,659		(359,295)
Handling and stop-off on Barley warehoused at interior terminals				7,554
Drying charges		402		31,258
Interest and depreciation on Wheat Board hopper cars		2,164,871		681,168
Wheat Board administrative and general expenses		5,092,615		2,876,485
		23,905,689		5,758,355
Surplus on operations of the Board on the Pool Account—Barley, for the period from August 1, 1988, to September 30, 1989 (1987-88 September 30, 1988)		16,788,430		19,805,777

THE CANADIAN WHEAT BOARD—*Continued*

STATEMENT OF OPERATIONS

1988-89 POOL ACCOUNT—DESIGNATED BARLEY
FOR THE PERIOD AUGUST 1, 1988, TO COMPLETION OF OPERATIONS ON SEPTEMBER 30, 1989
(with prior year figures for the 1987-88 Pool Account for comparison) EXHIBIT VII

	1988-89		1987-88	
	Tonnes	Amount	Tonnes	Amount
		$		$
Designated Barley acquired				
Purchased from Producers at Board initial prices basis in store Thunder Bay or Vancouver	1,074,488	195,921,451	1,022,885	130,135,153
Designated Barley sold				
Completed sales to July 31 basis in store Thunder Bay or Vancouver	942,125	200,127,452	944,925	135,179,256
Designated Barley stocks—Being Designated Barley stocks on hand at July 31 stated at the ultimate value received from the sale thereof, basis in store Thunder Bay or Vancouver				
Completed sales for the period subsequent to July 31	132,363	31,308,222	77,960	14,530,982
	1,074,488	231,435,674	1,022,885	149,710,238
Surplus on Designated Barley transactions		35,514,223		19,575,085
Operating costs				
Interest		(3,266,267)		(2,004,837)
Demurrage/Despatch		(48,094)		(128,420)
Interest and depreciation on Wheat Board hopper cars		576,427		341,086
Wheat Board administrative and general expenses		1,355,979		1,322,411
		(1,381,955)		(469,760)
Surplus on operations of the Board on the Pool Account—Designated Barley, for the period from August 1, 1988, to September 30, 1989 (1987-88 September 30, 1988)		36,896,178		20,044,845

THE CANADIAN WHEAT BOARD—*Continued*

STATEMENT OF ADMINISTRATIVE AND GENERAL EXPENSES AND ALLOCATIONS TO OPERATIONS FOR THE YEAR ENDED JULY 31, 1989
(with prior year figures for comparison) EXHIBIT VIII

	1988-89	1987-88
	$	$
Administrative and general expenses		
Salaries—Board members, officers and staff	16,246,201	15,586,850
Unemployment insurance, pension, group insurance, medical and other employee benefits	2,180,867	1,853,036
Manitoba Health and Education Tax	323,451	338,613
Advisory Committee	113,491	103,460
Rental and lighting of offices including maintenance of The Canadian Wheat Board Building	1,547,222	1,472,794
Telephones—Exchange service and long distance calls	480,534	472,517
Telegrams, cables and telex expense	118,836	127,928
Postage	682,879	679,653
Printing, stationery and supplies	593,153	516,454
Annual report, mini report and "Grain Matters", etc.	158,849	153,514
District meetings	22,533	20,064
Office expense	694,451	678,549
Travelling and transfer of staff	873,706	868,819
Travelling expenses—Inspectors	183,638	223,467
Legal fees and court costs	67,329	26,371
Audit fees	98,500	98,500
Computing equipment—Rental and sundries	2,399,736	3,136,099
Repair and upkeep of office machines and equipment	23,177	62,775
Grain market publications and services	98,248	116,863
The Canadian Wheat Board share of operating expenses of Canadian International Grains Institute	1,184,256	1,266,031
Bonds and insurance	33,896	39,175
Depreciation on building, furniture, equipment and automobiles	358,053	372,051
	28,483,006	28,213,583

	1988-89	1988-89	1987-88
	$	$	$
Allocations to Operations			
1. Marketing of Producers' Grain			
1988-89 Pool Account—Wheat	9,214,423		
1988-89 Pool Account—Durum	1,460,971		
1988-89 Pool Account—Oats	504,180		
1988-89 Pool Account—Designated Oats	144,510		
1988-89 Pool Account—Barley	2,615,217		
1988-89 Pool Account—Designated Barley	696,338		
1987-88 Pool Account—Wheat	9,544,913		
1987-88 Pool Account—Durum	1,670,421		
1987-88 Pool Account—Oats	157,971		
1987-88 Pool Account—Designated Oats	47,071		
1987-88 Pool Account—Barley	1,372,254		
1987-88 Pool Account—Designated Barley	630,869		
		28,059,138	26,987,337
2. Distributing Final Payments to Producers			
(a) Wheat and Durum			
1987-88 Pool Account—Wheat	205,997		
1987-88 Pool Account—Durum	45,890		
1986-87 Pool Account—Wheat	21,529		
1986-87 Pool Account—Durum	14,549		
1985-86 Pool Account—Durum	2,804		
1984-85 Pool Account—Wheat	3,449		
1984-85 Pool Account—Durum	472		
1983-84 Pool Account—Wheat	1,808		
1983-84 Pool Account—Durum	245		
1982-83 Pool Account—Wheat	2,135		
1982-83 Pool Account—Durum	292		
		299,170	186,902
(b) Coarse Grains			
1987-88 Pool Account—Oats	13,697		
1987-88 Pool Account—Designated Oats	1,961		
1987-88 Pool Account—Barley	75,567		
1987-88 Pool Account—Designated Barley	18,098		
1986-87 Pool Account—Oats	5,962		
1986-87 Pool Account—Designated Oats	759		
1985-86 Pool Account—Designated Oats	743		
1985-86 Pool Account—Designated Barley	1,739		
1984-85 Pool Account—Oats	880		
1984-85 Pool Account—Designated Oats	155		
1984-85 Pool Account—Barley	2,079		
1984-85 Pool Account—Designated Barley	365		
1983-84 Pool Account—Oats	460		
1983-84 Pool Account—Designated Oats	82		
1983-84 Pool Account—Barley	1,091		
1983-84 Pool Account—Designated Barley	193		
1982-83 Pool Account—Oats	545		
1982-83 Pool Account—Designated Oats	94		
1982-83 Pool Account—Designated Barley	228		
		124,698	39,344
3. Allocation authorized by Order-in-Council from Special Account—Undistributed Payment Accounts in partial payment of Administrative and General Expense incurred in respect of the Prairie Grain Advance Payment Act			1,000,000
		28,483,006	28,213,583

THE CANADIAN WHEAT BOARD—*Continued*

STATEMENT OF ADVANCE PAYMENTS TO PRODUCERS
UNDER THE PRAIRIE GRAIN ADVANCE PAYMENTS ACT
AS AT JULY 31, 1989

EXHIBIT IX

	Cash Advances to Producers	Advances Repaid by Producers	Balance to be Refunded by Producers
	$	$	$
1957-58 Crop Year	35,203,467	35,200,848	2,619
1958-59 Crop Year	34,369,653	34,366,768	2,885
1959-60 Crop Year	38,492,505	38,490,061	2,444
1960-61 Crop Year	63,912,550	63,905,208	7,342
1961-62 Crop Year	16,656,713	16,651,472	5,241
1962-63 Crop Year	29,251,526	29,245,974	5,552
1963-64 Crop Year	62,136,418	62,129,679	6,739
1964-65 Crop Year	32,961,844	32,955,727	6,117
1965-66 Crop Year	40,600,386	40,596,511	3,875
1966-67 Crop Year	36,668,270	36,664,915	3,355
1967-68 Crop Year	47,280,533	47,277,578	2,955
1968-69 Crop Year	151,852,319	151,771,755	80,564
1969-70 Crop Year	272,777,516	272,477,615	299,901
1970-71 Crop Year	91,105,890	91,076,244	29,646
1971-72 Crop Year	68,142,360	68,110,271	32,089
1972-73 Crop Year	20,754,104	20,743,234	10,870
1973-74 Crop Year	35,259,387	35,220,656	38,731
1974-75 Crop Year	46,635,399	46,609,707	25,692
1975-76 Crop Year	20,236,528	20,208,199	28,329
1976-77 Crop Year	130,592,220	130,483,087	109,133
1977-78 Crop Year	119,090,916	118,929,698	161,218
1978-79 Crop Year	151,316,450	151,197,705	118,745
1979-80 Crop Year	99,146,581	99,084,630	61,951
1980-81 Crop Year	61,640,150	61,599,760	40,390
1981-82 Crop Year	333,688,190	333,238,456	449,734
1982-83 Crop Year	309,022,755	308,239,484	783,271
1983-84 Crop Year	286,736,519	285,985,240	751,279
1984-85 Crop Year	201,289,320	200,443,685	845,635
1985-86 Crop Year	340,670,296	339,478,759	1,191,537
1986-87 Crop Year	642,511,850	640,233,293	2,278,557
1987-88 Crop Year	563,607,958	555,434,195	8,173,763
1988-89 Crop Year	319,522,186	272,997,691	46,524,495
	4,703,132,759	4,641,048,105	

Balance to be refunded by Producers as at July 31, 1989		62,084,654
Add: bank interest to July 31, 1989 payable by the Government of Canada	173,415,438	
Less: amount paid to July 31, 1989	172,838,537	576,901
		62,661,555
Deduct: balance of funds received to cover advance payments in default		
Government of Canada	3,068,495	
Line Elevator Companies	109,030	
Interest received on default payments	14,850,229	18,027,754
Owing to the Canadian Wheat Board as at July 31, 1989		44,633,801

THE CANADIAN WHEAT BOARD—*Continued*

STATEMENT OF SPECIAL ACCOUNT TRANSACTIONS
FOR THE YEAR ENDED JULY 31, 1989

EXHIBIT X

	$	$
Balance of Special Account as at July 31, 1988		5,986,523
Transfer to Special Account authorized by Order-in-Council P.C. 1989-1438 from the following:		
1981 Wheat Payment Account	(826,059)	
1981 Durum Payment Account	(143,602)	
1981 Designated Oats Payment Account	(25,137)	
1981 Barley Payment Account	19,163	
1981 Designated Barley Payment Account	(73,183)	(1,048,818)
		4,937,705

Expenditures

Authorized by Order-in-Council No.	Description of Purpose	Unexpended as at July 31, 1988	Authorized Crop Year 1988-89	Unexpended as at July 31, 1989	Expended Crop Year 1988-89	
		$	$	$	$	
P.C.1988-1487						
P.C.1989-1439	Market Development	191,083	300,000	206,363	284,720	
P.C.1988-1488	Scholarship Program	41,735	263,265	43,141	261,859	
P.C.1987-2591	Forks National Historic Park	50,000			50,000	
P.C.1987-1122	Canadian International Grains Institute—Capital Expenditures	86,591		52,144	34,447	
P.C.1984-2690	Customer Mission Program	24,804			24,804	
P.C.1983-2003	Joint Policy Coordinating Committee of Canada and United States Wheat Producers	88,133		88,133		
		482,346	563,265	389,781		655,830
						4,281,875

Less: payments to producers against old payment account	9,302
Balance of Special Account as at July 31, 1989	4,272,573

As at July 31, 1989, there were unexpended authorizations totalling $389,781 leaving an unexpended balance of $3,882,792 in the Account.

THE CANADIAN WHEAT BOARD—*Continued*

FINANCIAL RESULTS AND NOTES TO FINANCIAL STATEMENTS

The Financial Statements of the Canadian Wheat Board including notes thereto for the crop year under review are presented in this section of the report. These statements consist of the Balance Sheet (Exhibit I), which sets forth the financial position of the Board as at July 31, 1989, together with other statements (Exhibits II to X) showing the results of Board operations for the year, all as tabulated in the index preceding the financial statements.

The practice of the Board is to include in its accounts at July 31, the final operating results of pool accounts where marketing operations have been completed before the issuance of the annual report. Operations on the 1988-89 Pool Accounts for wheat, amber durum wheat, barley and designated barley were completed on September 30, 1989, on December 31, 1989, for designated oats, and on March 9,1990, for the regular oats pool. Details of the final operating results of these pool accounts with commentary thereon are presented in this section of the report.

Although the basic measurement for grain has been the "tonne" since February 1, 1978, for your information a tonne equals 36.74371 bushels of wheat, 64.84183 bushels of oats or 45.92963 bushels of barley.

Pool account—Wheat

Initial payments

At the beginning of the crop year the Board was authorized to purchase wheat from producers at a fixed initial price of $150.00 per tonne for No. 1 Canada Western Red Spring. Effective November 17, 1988, the initial price for No. 1 Canada Western Red Spring was increased to $170.00 per tonne.

Supplies of wheat

Supplies of wheat in the 1988-89 Pool were 14,353,863 tonnes, comprised of 14,218,367 tonnes delivered by producers and 135,496 tonnes acquired from other than producers.

Grade pattern

Deliveries of grain to the 1988-89 Pool Account were of substantially better quality compared with receipts in the previous pool. Deliveries of Nos. 1 and 2 Canada Western Red Spring totaled 12.286 million tonnes or 86.41 per cent of total receipts, while No. 3 Canada Western Red Spring receipts of 1.375 million tonnes amounted to 9.67 per cent of total receipts. Deliveries of utility grades including Canada Western Feed amounted to .557 million tonnes or 3.92 per cent of total producer deliveries. Deliveries of tough and damp grades were similar to the previous year with approximately .74 per cent of producer deliveries grading tough and .03 per cent grading damp.

Final statement of operations and surplus for distribution to producers—Wheat—Table A

Marketing operations on the Pool Account for wheat resulted in an operating surplus of $469,403,586. After deducting the interim payment of $213,275,507 made to producers in November 1989, providing for producer car rebates of $119,016, allowing for the cost of issuing the interim and the final payments and adding estimated interest earnings subsequent to September 30, 1989, the net surplus for distribution to producers amounted to $267,391,460. This net surplus represents an average of $18.806 on producer deliveries of 14,218,367 tonnes. Table B shows the total price realized by producers for No. 1 Canada Western Red Spring at $197.136 compared to $134.019 for the previous pool.

STATEMENT OF OPERATIONS AND SURPLUS FOR DISTRIBUTION TO PRODUCERS ON THE 1988-89 POOL ACCOUNT—WHEAT FOR THE PERIOD AUGUST 1, 1988 TO SEPTEMBER 30, 1989
(with prior year figures for the 1987-88 Pool Account for comparison)

TABLE A

	1988-89 Pool Account		1987-88 Pool Account	
	Amount	Rate per tonne	Amount	Rate per tonne
Receipts from producers	14,218,367 tonnes		15,476,040 tonnes	
	$	$	$	$
Sales value	2,904,265,681	204.262	2,059,496,820	133.076
Initial payments to producers	2,377,546,508	167.217	1,744,509,029	112.723
Gross surplus	526,719,173	37.045	314,987,791	20.353
Deduct Operating Costs				
Carrying charges				
Country elevators	43,576,178	3.065	37,105,198	2.398
Terminal storage	14,168,229	0.996	16,037,805	1.036
Total Carrying Charges	57,744,407	4.061	53,143,003	3.434
Bank interest and net interest on other Board accounts	(33,651,756)	(2.367)	(17,785,610)	(1.149)
Demurrage/Despatch	(3,302,045)	(0.232)	(265,409)	(0.017)
Additional freight—To terminals	9,266,321	0.652	10,542,410	0.681
—Freight rate change	1,675,231	0.118	(1,513,861)	(0.098)
Handling and stop-off	(19,809)	(0.001)	1,080,148	0.070
Drying	32,299	0.002	52,664	0.003
Interest and depreciation on Wheat Board hopper cars	7,627,680	0.536	4,737,960	0.306
Wheat Board administrative expenses	17,943,259	1.262	20,007,806	1.293
Total Operating Costs	57,315,587	4.031	69,999,111	4.523
Surplus on Operations	469,403,586	33.014	244,988,680	15.830
Deduct: interim payment	213,275,507	15.000		
	256,128,079	18.014	244,988,680	15.830
Add: interest earned after September 30	11,714,518	0.824	6,814,351	0.440
Deduct: cost of issuing interim and final payments	332,121	0.024	136,272	0.008
Deduct: rebate on producer cars	119,016	0.008		
Balance for Distribution to Producers	267,391,460	18.806	251,666,759	16.262

THE CANADIAN WHEAT BOARD—*Continued*

FINANCIAL RESULTS AND NOTES TO FINANCIAL STATEMENTS—*Continued*

PAYMENTS RECEIVED BY PRODUCERS FOR PRINCIPAL GRADES OF WHEAT
BASIS IN STORE THUNDER BAY OR VANCOUVER TABLE B

Grade	Initial payments	Interim payment	Final payments	Total
	(dollars per tonne)			
Red Spring Wheat Grades				
No. 1 Canada Western Red Spring	170.00	15.00	12.136	197.136
No. 1 Canada Western Red Spring 13.5	172.21	15.00	22.496	209.706
No. 1 Canada Western Red Spring 14.5	175.21	15.00	25.459	215.669
No. 2 Canada Western Red Spring	164.21	15.00	11.976	191.186
No. 2 Canada Western Red Spring 13.5	165.21	15.00	16.466	196.676
No. 3 Canada Western Red Spring	150.21	15.00	16.896	182.106
No. 1 Canada Western Utility	154.21	15.00	19.666	188.876
No. 2 Canada Western Utility	137.21	15.00	17.666	169.876
Canada Western Feed	130.00	15.00	16.056	161.056
Red Winter Wheat Grades				
No. 1 Canada Western Red Winter	149.21	15.00	19.896	184.106
No. 2 Canada Western Red Winter	147.21	15.00	19.896	182.106
Soft White Spring Wheat Grades				
No. 1 Canada Western Soft White Spring	150.00	15.00	25.671	190.671
No. 2 Canada Western Soft White Spring	147.00	15.00	27.671	189.671

Operating costs

Operating costs incurred applicable to the pool were $57,315,587 or $4.031 per tonne. Details of the principal costs and comment thereon follows:

Carrying charges—$57,744,407

Total carrying charges incurred by the Board, including storage and interest charges on wheat in country elevators and storage on wheat in terminal elevators, amounted to $57,744,407 or $4.061 per tonne.

Bank interest and net interest on other Board accounts—($33,651,756)

This amount consists mainly of bank interest and interest paid to, or received from, other Board accounts. Interest earned exceeded interest paid by $33,651,756 or $2.367 per tonne.

Additional freight—To Terminals—$9,266,321—Freight rate change—$1,675,231

During the crop year the Board paid $9,266,321 of additional freight arising out of the movement of grain in adverse direction.

With the abolition of the Crows Nest Pass freight rate on December 31, 1983, freight rates are reviewed annually under the Western Grain Transportation Act. On August 1, 1989, freight rates increased by a net amount of approximately $.237 per tonne and the Board was required to pay the additional freight on the country stocks held by its agents on August 1, 1989, amounting to $1,675,231 in the Wheat Account.

Drying charges—$32,299

Drying charges for 1988-89 totalled $32,299, a decrease from the previous year, reflecting the lower quantities of tough and damp grain delivered to the pool under review.

Interest and depreciation on Wheat Board hopper cars—$7,627,680

Costs for the use of the Board's 2,000 hopper cars include depreciation and interest. Hopper car expenses attributable to the 1988-89 Wheat Account totalled $7,627,680 compared to $4,737,960 for the previous pool.

Administrative and general expenses—$17,943,259

This item represents the portion of the cost of operating the Board, including salaries, fringe benefits to employees and the cost of operating the Board's head office premises as well as other branches in Canada and overseas that was charged to the Wheat Account. Since the Pool Accounts run for periods which overlap crop years, some part of the operating costs for two consecutive crop years are allocated to the Pool Accounts based on length of time the Pool Accounts were open and tonnage handled. Charges allocated to the 1988-89 Wheat Account were $17,943,259 or $1.262 per tonne on producer receipts of 14,218,367 tonnes compared with $20,007,806 or $1.293 per tonne on producer receipts of 15,476,040 tonnes for the previous pool.

Administrative and general expenses for the 1988-89 crop year from August 1, 1988, to July 31, 1989, totalled $28,483,006 compared to $28,213,583 for the 1987-88 crop year; an increase of $269,423 or .96 per cent.

Pool account—Amber Durum Wheat

Initial payments

At the beginning of the crop year the Board was authorized to purchase Amber Durum Wheat from producers at a fixed initial price of $175.00 per tonne for No. 1 Canada Western Amber Durum Wheat. Effective March 13, 1989, the initial price for No. 1 Canada Western Amber Durum was increased to $190.00 per tonne.

Supplies of Amber Durum Wheat

Supplies of amber durum wheat in the 1988-89 Pool were 2,472,519 tonnes, comprised of 2,254,359 tonnes delivered by producers, 17,902 tonnes acquired from other than producers and 200,258 tonnes purchased from the previous pool.

Grade pattern

Receipts of Nos. 1, 2 and 3 Canada Western Amber Durum totalled 2.184 million tonnes or 96.87 per cent of total producer deliveries. Approximately .25 per cent of producer deliveries graded tough while .03 per cent graded damp.

Final statement of operations and surplus for distribution to producers—Amber Durum Wheat—Table C

Table C shows the operating results of the Pool Account for the crop year. Marketing operations resulted in a surplus of $26,417,209. Operating expenses totalled $21,072,381 for the year or $9.348 per tonne. The principal cost was carrying charges amounting to $15,637,688 or $6.937 per tonne. After allowing for producer car rebates, the cost of issuing the final payment and estimated interest earnings subsequent to September 30, 1989, the net surplus for distribution to producers was $27,214,042. This amount represents an overall average of $12.072 per tonne on producer deliveries of 2,254,359 tonnes. Table D shows the total payments received by producers for the principal grades of Amber Durum Wheat delivered during the crop year. This table shows the total price realized by producers for No. 1 Canada Western Amber Durum Wheat of $204.482 per tonne, compared to $169.359 per tonne for the previous pool.

THE CANADIAN WHEAT BOARD—*Continued*

FINANCIAL RESULTS AND NOTES TO FINANCIAL STATEMENTS—*Continued*

STATEMENT OF OPERATIONS AND SURPLUS FOR DISTRIBUTION TO PRODUCERS
ON THE 1988-89 POOL ACCOUNT—AMBER DURUM WHEAT
FOR THE PERIOD AUGUST 1, 1988, TO SEPTEMBER 30, 1989
(with prior year figures for the 1987-88 Pool Account for comparison) TABLE C

	1988-89 Pool Account		1987-88 Pool Account	
	Amount	Rate per tonne	Amount	Rate per tonne
Receipts from producers	2,254,359 tonnes		2,708,407 tonnes	
	$	$	$	$
Sales value	468,270,301	207.718	439,928,513	162.431
Initial payments to producers	420,780,711	186.652	321,361,389	118.653
Gross Surplus	47,489,590	21.066	118,567,124	43.778
Deduct Operating Costs				
Carrying charges				
Country elevators	10,827,316	4.803	9,140,017	3.375
Terminal storage	4,810,372	2.134	2,694,180	0.995
Total Carrying Charges	15,637,688	6.937	11,834,197	4.370
Interest	1,018,487	0.452	(1,452,155)	(0.536)
Demurrage/Despatch	(499,446)	(0.221)	(925,436)	(0.342)
Additional freight—To terminals	414,599	0.184	493,233	0.182
—Freight rate change	444,893	0.197	(116,671)	(0.043)
Handling and stop-off	950		2,262	0.001
Drying	870		926	
Interest and depreciation on Wheat Board hopper cars	1,209,389	0.537	829,173	0.306
Wheat Board administrative expenses	2,844,951	1.262	3,501,495	1.293
Total Operating Costs	21,072,381	9.348	14,167,024	5.231
Surplus on Operations	26,417,209	11.718	104,400,100	38.547
Add: interest earned after September 30	843,053	0.374	2,903,885	1.072
Deduct: cost of issuing final payment	34,023	0.015	32,024	0.012
Deduct: rebate on producer cars	12,197	0.005		
Balance for Distribution to Producers	27,214,042	12.072	107,271,961	39.607

PAYMENTS RECEIVED BY PRODUCERS FOR PRINCIPAL GRADES OF AMBER DURUM WHEAT BASIS IN STORE THUNDER BAY OR VANCOUVER TABLE D

Grade	Initial payments	Final payments	Total
	(dollars per tonne)		
Amber Durum Wheat Grades			
No. 1 Canada Western Amber Durum	190.00	14.482	204.482
No. 2 Canada Western Amber Durum	187.00	12.061	199.061
No. 3 Canada Western Amber Durum	185.00	7.529	192.529
No. 4 Canada Western Amber Durum	160.00	15.393	175.393
No. 5 Canada Western Amber Durum	125.00	27.139	152.139

Pool account—Oats

Commencing August 1, 1981, as authorized by Order-in-Council, oats selected and accepted from producers for use in processing and milling for human consumption, has been set up in a separate pool under the caption "Designated Oats". As a result, the transactions described here consist mainly of marketing results related to Nos. 3 and 4 Canada Western Oats.

Initial payments

At the beginning of the crop year the Board was authorized to purchase oats from producers at fixed initial prices of $160.00 and $154.00 per tonne for Nos. 3 and 4 Canada Western Oats respectively.

Supplies and Grade pattern

Supplies in the regular Feed Oats Pool were 811,695 tonnes, comprised of 777,978 tonnes delivered by producers, 1,142 tonnes acquired from other than producers and 32,575 tonnes purchased from the previous pool. Deliveries of Nos. 1 and 2 Canada Western Oats comprised 4.00 per cent of producer deliveries, while Nos. 3 and 4 Canada Western Oats constituted 95.09 per cent of producer deliveries. Other Grades contributed .91 per cent of producer deliveries. Board receipts of tough and damp oats made up .45 per cent of deliveries.

Final statement of operations—Oats—Table E

Table E shows the operating results of the Pool Account for the 1988-89 crop year. Marketing operations resulted in a deficit of $32,361,239 which is recoverable from the Government of Canada with funds provided by Parliament. The total payments realized by producers is, therefore, equal to the initial payments as shown in Table F. Operating expenses totalled $12,725,183 or $16.357 per tonne. The principal cost was carrying charges amounting to $6,474,229 or $8.322 per tonne.

THE CANADIAN WHEAT BOARD—*Continued*

FINANCIAL RESULTS AND NOTES TO FINANCIAL STATEMENTS—*Continued*

STATEMENT OF OPERATIONS AND SURPLUS FOR DISTRIBUTION TO PRODUCERS
ON THE 1988-89 POOL ACCOUNT—OATS
FOR THE PERIOD AUGUST 1, 1988, TO MARCH 9, 1990
(with prior year figures for the 1987-88 Pool Account for comparison) TABLE E

	1988-89 Pool Account		1987-88 Pool Account	
	Amount	Rate per tonne	Amount	Rate per tonne
Receipts from producers	777,978 tonnes		256,132 tonnes	
	$	$	$	$
Sales value	104,688,427	134.565	33,376,896	130.311
Initial payments to producers	124,324,483	159.805	23,100,925	90.191
Gross (Deficit) Surplus	(19,636,056)	(25.240)	10,275,971	40.120
Deduct Operating Costs				
Carrying charges				
Country elevators	4,408,605	5.667	539,261	2.105
Terminal storage	2,065,624	2.655	602,275	2.352
Total Carrying Charges	6,474,229	8.322	1,141,536	4.457
Interest	3,372,879	4.335	(149,220)	(0.583)
Demurrage/Despatch	(47,455)	(0.061)	47,455	0.185
Additional freight—To terminals	1,396,375	1.795	272,321	1.063
—Freight rate change	24,552	0.032	(2,263)	(0.009)
Handling and stop-off	2,872	0.004	1,023	0.004
Drying	309		4,133	0.016
Interest and depreciation on Wheat Board hopper cars	417,360	0.537	85,409	0.334
Wheat Board administrative expenses	1,084,062	1.393	331,134	1.293
Total Operating Costs	12,725,183	16.357	1,731,528	6.760
(Deficit) Surplus on Operations	(32,361,239)	(41.597)	8,544,443	33.360
Add: interest earned after September 30			237,663	0.928
Deduct: cost of issuing final payment			8,403	0.033
Balance for Distribution to Producers			8,773,703	34.255

PAYMENTS RECEIVED BY PRODUCERS FOR PRINCIPAL GRADES OF OATS BASIS IN STORE THUNDER BAY OR VANCOUVER TABLE F

Grade	Initial payments
	(dollars per tonne)
Oats Grades	
No. 1 Canada Western	165.00
No. 2 Canada Western	163.00
No. 3 Canada Western	160.00
No. 4 Feed	154.00

Pool account—Designated Oats

Commencing on August 1, 1981, as authorized by Order-in-Council, oats selected and accepted from producers for use in processing and milling for human consumption, has been set up in a separate account. This account has been labeled "Designated Oats" and the results of operations on this account with comment thereon are contained in this section of the report.

Initial payments

At the beginning of the crop year the Board was authorized to purchase designated oats from producers at fixed initial prices of $195.00, $191.00 and $189.00 per tonne for Nos. 1, 2 and 3 Canada Western Oats respectively.

Supplies and grade pattern

Supplies of oats in the Designated Pool were 222,987 tonnes representing deliveries to the Board by producers during the crop year of oats which were selected and accepted by purchasers for use in processing and milling for human consumption. Receipts of Nos. 1, 2 and 3 Canada Western Oats totalled 22,288, 31,303 and 169,032 tonnes or 10.00 per cent, 14.04 per cent and 75.80 per cent respectively of total deliveries. The remaining 364 tonnes were No. 4 Canada Western Oats.

THE CANADIAN WHEAT BOARD—*Continued*

FINANCIAL RESULTS AND NOTES TO FINANCIAL STATEMENTS—*Continued*

Final statement of operations and surplus for distribution to producers—Designated Oats—Table G

Table G shows the operating results of this Pool Account for the crop year. Marketing operations resulted in a surplus of $3,327,644. As to operating costs, it should be noted that the Designated Oats Pool, by its very nature does not incur the handling expenses normally related to feeding grades of oats. It is not stored by the Board, being selected by the purchaser and shipped at his request from farm to processing plant via the country elevator. As a result, the only expenses attributable to such oats were costs related to hopper cars owned by the Wheat Board and administrative charges totalling $418,618 or $1.877 per tonne. These expenses were reduced by interest earnings of $389,010 or $1.744 per tonne on the accumulating surplus in the pool. After providing for the cost of issuing the final payment and adding estimated interest earnings subsequent to December 31, 1989, the net surplus for distribution to producers was $3,375,757 or $15.139 per tonne on producer deliveries of 222,987 tonnes. Table H shows the total payments received by producers for the principal grades of designated oats delivered during the crop year.

STATEMENT OF OPERATIONS AND SURPLUS FOR DISTRIBUTION TO PRODUCERS
ON THE 1988-89 POOL ACCOUNT—DESIGNATED OATS
FOR THE PERIOD AUGUST 1, 1988, TO DECEMBER 31, 1989
(with prior year figures for the 1987-88 Pool Account for comparison)

TABLE G

	1988-89 Pool Account		1987-88 Pool Account	
	Amount	Rate per tonne	Amount	Rate per tonne
Receipts from producers	222,987 tonnes		76,321 tonnes	
	$	$	$	$
Sales value	45,694,544	204.920	10,464,244	137.108
Initial payments to producers	42,337,292	189.864	9,261,146	121.344
Gross Surplus	3,357,252	15.056	1,203,098	15.764
Deduct Operating Costs				
Interest and bank charges	(389,010)	(1.744)	(86,990)	(1.140)
Interest and depreciation on Wheat Board hopper cars	119,625	0.536	25,450	0.334
Wheat Board administrative expenses	298,993	1.341	98,670	1.293
Total Operating Costs	29,608	0.133	37,130	0.487
Surplus on Operations	3,327,644	14.923	1,165,968	15.277
Add: interest earned after December 31 (1987-88 September 30)	54,602	0.245	32,431	0.425
Deduct: cost of issuing final payment	6,489	0.029	1,135	0.015
Balance for Distribution to Producers	3,375,757	15.139	1,197,264	15.687

PAYMENTS RECEIVED BY PRODUCERS FOR PRINCIPAL GRADES OF DESIGNATED OATS BASIS IN STORE THUNDER BAY OR VANCOUVER

TABLE H

Grade	Initial payments	Final payments	Total
	(dollars per tonne)		
Oats Grades			
No. 1 Canada Western	195.00	18.900	213.900
No. 2 Canada Western	191.00	16.400	207.400
No. 3 Canada Western	189.00	14.400	203.400

Pool account—Barley

Since August 1, 1975, as authorized by Order-in-Council, barley selected and accepted from producers for use in malting, pot or pearling, has been set up in a separate pool under the caption "Designated Barley". As a result, the transactions remaining in the Barley Pool Account described here consist mainly of marketing results related to feeding grades of barley.

Initial payments

At the beginning of the crop year the Board was authorized to purchase barley from producers at fixed initial prices of $120.00 and $117.00 per tonne for Nos. 1 and 2 Canada Western Barley respectively.

Supplies and grade pattern

Supplies in the regular Feed Barley Pool were 4,104,490 tonnes comprised of 4,035,425 tonnes delivered by producers and 69,065 tonnes acquired from other than producers. Deliveries of Nos. 1 and 2 Canada Western Barley comprised 99.88 per cent of the producer deliveries in the pool. Board receipts of tough and damp barley made up .56 per cent of deliveries.

Final statement of operations and surplus for distribution to producers—Barley—Table I

Table I shows the operating results of the Pool Account for the crop year. Marketing operations resulted in a surplus of $16,788,430. Operating expenses totalled $23,905,689 for the year or $5.924 per tonne. The principal cost was carrying charges amounting to $13,356,251 or $3.310 per tonne. After allowing for the cost of issuing the final payment and estimated interest earnings subsequent to September 30, 1989, the net surplus for distribution to producers was $17,207,129. This amount represents an overall average of $4.264 per tonne on producer deliveries of 4,035,425 tonnes. Table J shows the total payments received by producers for the principal grades of Barley delivered during the crop year.

THE CANADIAN WHEAT BOARD—*Continued*

FINANCIAL RESULTS AND NOTES TO FINANCIAL STATEMENTS—*Continued*

STATEMENT OF OPERATIONS AND SURPLUS FOR DISTRIBUTION TO PRODUCERS
ON THE 1988-89 POOL ACCOUNT—BARLEY
FOR THE PERIOD AUGUST 1, 1988, TO SEPTEMBER 30, 1989
(with prior year figures for the 1987-88 Pool Account for comparison)

TABLE I

	1988-89 Pool Account		1987-88 Pool Account	
	Amount	Rate per tonne	Amount	Rate per tonne
Receipts from producers	4,035,425 tonnes		2,224,961 tonnes	
	$	$	$	$
Sales value	524,616,931	130.003	169,959,254	76.388
Initial payments to producers	483,922,812	119.919	144,395,122	64.898
Gross surplus	40,694,119	10.084	25,564,132	11.490
Deduct Operating Costs				
Carrying charges				
Country elevators	10,930,743	2.709	639,467	0.288
Terminal storage	2,425,508	0.601	1,279,713	0.575
Total Carrying Charges	13,356,251	3.310	1,919,180	0.863
Interest	288,533	0.072	(2,940,186)	(1.322)
Demurrage/Despatch	(334,009)	(0.083)	2,678,089	1.204
Additional freight—To terminals	1,755,367	0.435	864,102	0.388
—Freight rate change	1,581,659	0.392	(359,295)	(0.161)
Handling and stop-off			7,554	0.003
Drying	402		31,258	0.014
Interest and depreciation on Wheat Board hopper cars	2,164,871	0.536	681,168	0.306
Wheat Board administrative expenses	5,092,615	1.262	2,876,485	1.293
Total Operating Costs	23,905,689	5.924	5,758,355	2.588
Surplus on Operations	16,788,430	4.160	19,805,777	8.902
Add: interest earned after September 30	535,769	0.133	550,897	0.248
Deduct: cost of issuing final payment	62,033	0.015	38,838	0.018
Deduct: rebate on producer cars	55,037	0.014		
Balance for Distribution to Producers	17,207,129	4.264	20,317,836	9.132

PAYMENT RECEIVED BY PRODUCERS FOR PRINCIPAL GRADES OF BARLEY
BASIS IN STORE THUNDER BAY OR VANCOUVER

TABLE J

Grade	Initial payments	Final payments	Total
		(dollars per tonne)	
Barley Grades			
No. 1 Canada Western	120.00	4.225	124.225
No. 2 Canada Western	117.00	6.535	123.535
Mixed Grain Canada Western Barley	107.45	4.225	111.675

Pool account—Designated Barley

As stated previously, since August 1, 1975, as authorized by Order-in-Council, barley selected and accepted from producers for use in malting, pot or pearling, has been set up in a separate pool account. This account has been labeled "Designated Barley" and the results of operations on this account with comment thereon are contained in this section of the report.

Initial payments

At the beginning of the crop year the Board was authorized to purchase Designated Barley from producers at a fixed initial price of $180.00 per tonne for Special Select Canada Western Six-Row and $190.00 per tonne for Special Select Canada Western Two-Row.

Supplies and grade pattern

Supplies of barley in the designated pool were 1,074,488 tonnes representing deliveries to the Board by producers during the crop year of barley which has been selected and accepted by purchasers for the use in malting, pot or pearling. Of these receipts 260,427 tonnes or 24.24 per cent were Special Select grades and 744,774 tonnes or 69.31 per cent were Select grades. Receipts of tough and damp grades totalled 6,698 tonnes or 0.62 per cent of total.

Final statement of operations and surplus for distribution to producers—Designated Barley—Table K

Table K shows the operating results of this Pool Account for the crop year. Marketing operations resulted in a surplus of $36,896,178. As to operating costs, it should be noted that the Designated Barley Pool by its very nature does not incur the handling expenses normally related to feeding grades of barley or other grains. It is not stored by the Board, being selected by the processor (buyer) from a producer's sample and is shipped on buyer's call directly from farm to processing plant via the country elevator. As a result the only expenses attributable to such barley were costs related to hopper cars owned by the Wheat Board, and administrative charges totalling $1,932,406 or $1.799 per tonne. These expenses were reduced by interest earnings and demurrage adjustments of $3,314,361 or $3.085 per tonne. After deducting the interim payment of $16,117,320 made to producers in November 1989 providing for the cost of issuing the interim and the final payments and adding estimated interest earnings subsequent to September 30, 1989, the net surplus for distribution to producers was $21,685,451 or $20.182 per tonne on producer deliveries of 1,074,488 tonnes. Table L shows the total payments received by producers for the principal grades of designated barley delivered during the crop year.

THE CANADIAN WHEAT BOARD—*Continued*

FINANCIAL RESULTS AND NOTES TO FINANCIAL STATEMENTS—*Continued*

STATEMENT OF OPERATIONS AND SURPLUS FOR DISTRIBUTION TO PRODUCERS ON THE 1988-89 POOL ACCOUNT—DESIGNATED BARLEY FOR THE PERIOD AUGUST 1, 1988, TO SEPTEMBER 30, 1989
(with prior year figures for the 1987-88 Pool Account for comparison)

TABLE K

	1988-89 Pool Account		1987-88 Pool Account	
	Amount	Rate per tonne	Amount	Rate per tonne
Receipts from producers	1,074,488 tonnes		1,022,885 tonnes	
	$	$	$	$
Sales value	231,435,674	215.391	149,710,238	146.361
Initial payments to producers	195,921,451	182.339	130,135,153	127.224
Gross Surplus	35,514,223	33.052	19,575,085	19.137
Deduct Operating Costs				
Interest	(3,266,267)	(3.040)	(2,004,837)	(1.960)
Demurrage/Despatch	(48,094)	(0.045)	(128,420)	(0.126)
Interest and depreciation on Wheat Board hopper cars	576,427	0.537	341,086	0.334
Wheat Board administrative expenses	1,355,979	1.262	1,322,411	1.293
Total Operating Costs	(1,381,955)	(1.286)	(469,760)	(0.459)
Surplus on Operations	36,896,178	34.338	20,044,845	19.596
Deduct: interim payment	16,117,320	15.000		
	20,778,858	19.338	20,044,845	19.596
Add: interest earned after September 30	935,670	0.871	557,547	0.545
Deduct: cost of issuing interim and final payments	29,077	0.027	10,448	0.010
Balance for Distribution to Producers	21,685,451	20.182	20,591,944	20.131

PAYMENTS RECEIVED BY PRODUCERS FOR PRINCIPAL GRADES OF DESIGNATED BARLEY BASIS IN STORE THUNDER BAY OR VANCOUVER

TABLE L

Grade	Initial payments	Interim payment	Final payments	Total
		(dollars per tonne)		
Designated Barley Grades				
Special Select Canada Western Two-Row	190.00	15.00	17.750	222.75
Special Select Canada Western Six-Row	180.00	15.00	19.100	214.10
Select Canada Western Two-Row	185.00	15.00	20.250	220.25
Select Canada Western Six-Row	175.00	15.00	21.600	211.60

NOTES TO FINANCIAL STATEMENTS

The following are an integral part of the financial statements.

1. Accounting policies

(a) Operating results and valuation of stocks of grain

The annual accounts at July 31 include the final operating results of all pool accounts for the crop year ended July 31, where marketing operations have been completed before the issuance of the annual report for that year. In determining the financial results for such pools, the accounts of the Board at July 31 include:

(i) the stocks of such grains on hand at that date at the values which were ultimately received from the sale thereof basis in store Thunder Bay, Vancouver or Churchill; and

(ii) provision for all expenses incurred or to be incurred before the sales proceeds are realized in cash or in bills of exchange, including a charge for the portion of administrative and general expenses to be incurred subsequent to July 31 but relating to the marketing and accounting for the grains in the various pools before they are closed.

For pool accounts for which marketing operations have not been completed before the issuance of the annual report, the unsold stocks at July 31 are valued at cost, which is the initial price paid to producers, and no provision is made for carrying costs, interest, and administrative expenses beyond that date. Any debit or credit balance is carried on the balance sheet.

(b) Foreign currency translations

Bills of exchange receivable in United States funds which are covered by forward exchange contracts are translated at the contract rates. In all other cases, bills of exchange receivable and bank loans payable in United States funds are translated at the rate of exchange in effect as at the balance sheet date.

Foreign exchange adjustments arising from conversion of bills of exchange and bank loans are included in operating results.

THE CANADIAN WHEAT BOARD—*Continued*

FINANCIAL RESULTS AND NOTES TO FINANCIAL STATEMENTS—*Continued*

NOTES TO FINANCIAL STATEMENTS—*Continued*

(c) Depreciation

The rates of depreciation being applied are intended to fully depreciate assets over their expected lives and are as follows:

Hopper cars	30 years
Office building	40 years
Office furniture and equipment	10 years
Automotive equipment	2 years (to 1/3 residual value)

(d) Administration and general expenses

Administration and general expenses, except for that portion of such expenses attributable to distributing final payments to producers, are allocated to the various pool account operations to which the services relate on the basis of the relative tonnage. Expenses attributable to final payments are allocated on the basis of the number of producers receiving payments from the various pool accounts.

2. Bills of exchange plus accrued interest

Of the total bills of exchange receivable, $1,619,309,884 (1988—$1,477,962,712) represents the Canadian equivalent of $1,371,366,772 (1988—$1,220,246,624) repayable in United States funds.

The balances receivable arise from sales of grain to Algeria, Brazil, Bangladesh, Egypt, Ethiopia, Haiti, Iraq, Israel, Jamaica, Mexico, Peru, Poland and Zambia. The terms call for payment in full within 36 months or less from time of shipment, except for Brazil, Egypt, Haiti, Jamaica, Mexico, Peru, Poland and Zambia where the Board, together with the Canadian Government, have agreed to reschedule certain receivables beyond their original maturity dates. Terms of such reschedulings call for payment of interest and the rescheduled debt within ten years. As at July 31, 1989, total reschedulings amounted to $3,088,748,737 including $1,172,397,436 which is the Canadian equivalent of $992,884,008 receivable in United States funds.

During the crop year the Board together with the Government of Canada concluded a bilateral rescheduling agreement with Poland, rescheduling over a 10-year period amounts due and not paid, on all prior rescheduling agreements to December 31, 1987, including post maturity interest. Under this agreement the amounts which were due to mature in the year ending December 31, 1988, have also been rescheduled. The amounts subject to this rescheduling total $608,190,585 which includes the Canadian equivalent of $214,105,270 receivable in United States funds.

Subsequent to the year end, a multilateral arrangement was reached between Poland and official creditors under which the amounts in arrears at December 31, 1989, and all amounts falling due between January 1, 1990, and March 31, 1991, are to be rescheduled. Post maturity interest due and not paid on these amounts is also subject to rescheduling. As at July 31, 1989, the amounts in the accounts of the Board which are subject to this arrangement total $662,025,046 which includes the Canadian equivalent of $259,962,425 receivable in United States funds. Of these respective amounts, amounts due and not paid from Poland as at July 31, 1989, total $271,449,947 which includes the Canadian equivalent of $99,149,487 receivable in United States funds.

During the crop year, ending July 31, 1986, the Government of Canada and other creditor nations agreed to a further deferral of certain Zambian obligations that had earlier been rescheduled. The bilateral agreement to reschedule payments due and not paid as at December 31, 1985, and due and not paid for the period January 1, 1986, to December 31, 1986, has yet to be negotiated. The accounts of the Board at July 31, 1989, include $15,058,519 which may be subject to this rescheduling.

Subsequent to the crop year the Board together with the Government of Canada concluded a bilateral rescheduling agreement with Jamaica, rescheduling over a ten-year period certain obligations due and not paid for the period June 1, 1988, to November 30, 1989. The accounts of the Board as at July 31, 1989, include $1,408,296 which was subject to this rescheduling agreement.

Credit sales are made within limits established by the Government of Canada which guarantees the Board's borrowings incurred to finance such sales, both as to principal and interest. Because of these guarantees, the Board does not consider itself to be at risk should any of the unpaid amounts prove to be uncollectable; therefore, no provision is made in its accounts with respect to the possibility of debtors defaulting on their obligations.

3. Accounts receivable

Settlement on amounts due on completed sales as at July 31 were received shortly after that date. Sundry accounts receivable consists mainly of freight costs which are recovered on completed sales.

4. Covered hopper cars

The Board purchased 2,000 covered hopper cars in 1979-80 having an original cost of $90,555,623. Of these 2,000 cars, 44 cars have been wrecked and dismantled leaving 1,956 still in the fleet having an original cost of $88,563,399 with accumulated depreciation of $28,047,362 to July 31, 1989. The Board is reimbursed for destroyed cars under an operating agreement with the Canadian National Railway.

5. Deferred charges—Trade

During the latter part of the previous crop year, because the initial prices for the current crop year beginning August 1st were to be substantially higher, producers delivered significant quantities of grain to elevator companies which are Board agents and placed it on storage, to be sold to the agents after the beginning of the new crop year. The Board, in order to meet its sales commitments in the 1987-88 crop year, purchased wheat, durum and barley which had been placed on storage, from some of its agents. In those instances, where some of the agents had delivered grain to the Board in excess of their purchases from producers during the 1987-88 crop year, the agents had over-delivered their country liability to the Board. In the case of barley, the over-delivered stocks were also sold resulting in the barley pool being oversold at the end of the 1987-88 crop year.

The value of the over-deliveries totalled $103,288,839 and this was recorded as an advance purchase of the 1988-89 crop. The over-sold barley position which resulted in net revenue of $31,897,681 was treated as an advance sale of the 1988-89 crop and netted against the advance purchases. All other charges related to the over-delivered and over-sold positions have been appropriately adjusted between the pool accounts.

This situation did not recur in the 1988-89 pool accounts.

THE CANADIAN WHEAT BOARD—*Concluded*

FINANCIAL RESULTS AND NOTES TO FINANCIAL STATEMENTS—*Concluded*

NOTES TO FINANCIAL STATEMENTS—*Concluded*

6. Liability to banks

Details of liability to banks are as follows:

	July 31	
	1989	1988
	$	$
Ordinary operations		
Funds on deposit	(88,352,406)	
Bank loans		29,342,978
Loans to finance credit sales	3,707,960,437	3,581,450,759
	3,619,608,031	3,610,793,737

Of the total liability $1,605,838,592 (1988—$1,460,724,971) represents the Canadian equivalent of $1,359,958,157 (1988—$1,206,014,672) repayable in United States funds.

The Board's borrowings are guaranteed by the Government of Canada.

7. Liability to agents for grain purchased from producers

Grain companies acting in the capacity of agents of the Board accept deliveries from producers at country elevators and pay the producers on behalf of the Board based on the Board's initial price in effect. Settlement is not made by the Board for these purchases until delivery to the Board is completed by its agents at terminal or mill position. Liability to agents amounting to $569,415,254 (1988—$11,265,153) represents the amount payable by the Board to its agents for 3,809,559 (1988—93,990) tonnes of grain on hand at country elevator points and in transit at July 31 for which delivery to and settlement by the Board is to be completed subsequent to year end date.

8. Liability to agents for deferred cash tickets

Grain companies as agents of the Board, deposit with the Board in trust an amount equal to the deferred cash tickets issued for Board grain. These monies are returned to the grain companies to cover producer deferred cash tickets maturing predominately during the first days of the following calendar year.

9. Accrued expenses and accounts payable

This item principally comprises accrued carrying charges, storage, interest and transportation charges to July 31, 1989, together with all other unpaid sundry accounts as at the foregoing date. It also includes provisions for all charges relating to the marketing of Pool Accounts for the period from August 1, 1989, to completion of operations on September 30, 1989, for wheat, amber durum wheat, barley and designated barley and December 31, 1989, for designated oats, and March 9, 1990, for the regular oats pool.

10. Special account—Net balance of undistributed payment accounts

In accordance with the provision of Section 30 of the Canadian Wheat Board Act the Governor-in-Council may authorize the Board to transfer to a Special Account the unclaimed balances remaining in payment accounts which have been payable to producers for a period of six years or more. In addition to providing for payment of proper claims from producers against these old payment accounts, the Section further provides that these funds shall be used for purposes as the Governor-in-Council upon the recommendations of the Board may deem to be for the benefit of producers.

11. Provision for final payment expenses

This item represents the balance of the Board's reserve for final payment expenses of Pool Accounts that have been closed. Six years after particular accounts have been closed, the remaining reserves for these pools are transferred to the special account by Order-in-Council.

12. Lease commitments

The Board, as an agent of Her Majesty in Right of Canada, is the lessor of 2,000 covered hopper cars for the Government of Canada. All lease costs are recoverable from the Government and are not a charge to the operations of the Board. Total payments associated with leases in the year ended July 31, 1989, amounting to $13,908,244 (1988—$16,110,582) have been recovered by the Board. Lease terms are for 20 and 25 years.

CAPE BRETON DEVELOPMENT CORPORATION

AUDITOR'S REPORT

TO THE MINISTER OF INDUSTRY, SCIENCE AND TECHNOLOGY

I have examined the balance sheet of the Cape Breton Development Corporation as at March 31, 1990 and the related statements of equity, income and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1990 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with Part X of the Financial Administration Act and regulations, the Cape Breton Development Corporation Act and the by-laws of the Corporation.

Kenneth M. Dye, F.C.A.
Auditor General of Canada

Ottawa, Canada
June 1, 1990

BALANCE SHEET AS AT MARCH 31, 1990
(in thousands of dollars)

ASSETS	1990	1989
Current		
Cash	3,593	6,367
Accounts receivable (Note 3)	24,438	7,863
Inventories		
Coal	20,299	34,599
Operating materials and supplies	15,797	22,998
Prepaid expenses	77	304
	64,204	72,131
Fixed (Note 4)	411,115	461,890
	475,319	534,021

LIABILITIES	1990	1989
Current		
Accounts payable—Trade	12,736	8,005
Accrued wages and vacation pay	12,868	11,905
Accrued charges	3,387	3,239
Employees' deductions	6,395	8,019
Due to Government of Canada		
Working capital advances	7,037	41,000
Other	3,750	12,900
	46,173	85,068
EQUITY		
Equity of Canada	429,146	448,953
	475,319	534,021

Commitments (Note 5)
Contingent liabilities and claims (Note 6)

On behalf of the Board:

JOHN TERRY
Director

MICHAEL COCHRANE
Director

CAPE BRETON DEVELOPMENT CORPORATION—*Continued*

STATEMENT OF EQUITY
FOR THE YEAR ENDED MARCH 31, 1990
(in thousands of dollars)

	1990	1989
Balance at beginning of year	448,953	518,175
Add: payments by Canada in respect of mining losses— Vote 36B		
—Current year	9,396	
—Prior year	29,693	
payments by Canada in respect of capital expenditures— Vote 35 (1989—Vote 30)	14,874	28,000
	502,916	546,175
Deduct: net mining losses for Parliamentary appropriation (Note 2(a))	9,396	29,693
depreciation	64,374	67,529
	73,770	97,222
Balance at end of year	429,146	448,953

STATEMENT OF INCOME
FOR THE YEAR ENDED MARCH 31, 1990
(in thousands of dollars)

	1990	1989
Revenue		
Coal sales	232,906	195,166
Less: external selling expense	8,052	7,678
	224,854	187,488
Outside railway revenue	3,376	3,224
Operating revenue	228,230	190,712
Operating expenses		
Wages and salaries	101,567	94,390
Employee benefits	11,285	12,124
Workers' Compensation	13,539	15,311
Materials and supplies	30,551	25,898
Repair materials	13,194	15,162
Electric power	8,005	7,735
Grants in lieu of taxes	3,844	3,929
Royalties	987	807
Hired heavy equipment	8,150	5,763
Other expenses	6,882	10,462
Purchased and capital coal	8,207	8,032
Depreciation	64,374	67,529
(Increase) decrease in coal inventory	14,299	(510)
Total operating expenses	284,884	266,632
Excess of operating expenses over operating revenue	56,654	75,920
Pensions	14,805	17,696
Pre-retirement leave	2,562	2,940
Early retirement incentive	1,881	1,924
Interest and other income	(2,132)	(1,258)
Mining losses for the year	73,770	97,222
Deduct: depreciation not deductible in determining net mining losses	64,374	67,529
Net mining losses for Parliamentary appropriation	9,396	29,693

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1990
(in thousands of dollars)

	1990	1989
Cash from (for) operating activities		
Net mining losses	(9,396)	(29,693)
Net decrease in non-cash operating working capital*	221	17,023
	(9,175)	(12,670)
Cash from (for) financing activities		
Payments by Canada		
—In respect of mining losses	39,089	
—In respect of capital expenditures	14,874	28,000
—Increase (decrease) in repayable working capital advances	(33,963)	19,081
	20,000	47,081
Cash from (for) investing activities		
Purchase of fixed assets	(13,813)	(29,433)
Proceeds from sale of fixed assets	214	157
	(13,599)	(29,276)
Increase (decrease) in cash	(2,774)	5,135
Cash at beginning of year	6,367	1,232
Cash at end of year	3,593	6,367
(Increase) decrease in non-cash operating working capital*		
Accounts receivable	(16,575)	28,911
Coal inventory	14,300	(510)
Material inventory	7,201	(2,169)
Prepaid expenses	227	(239)
Accounts payable—Trade	4,731	(11,929)
Accrued wages and vacation pay	963	(591)
Accrued charges	148	(820)
Due to Government of Canada— Other	(9,150)	2,467
Employees' deductions	(1,624)	1,903
	221	17,023

CAPE BRETON DEVELOPMENT CORPORATION—*Continued*

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 1990

1. Authority and objectives

The Corporation was established in 1967 for the purpose of reorganizing and rehabilitating the coal industry on Cape Breton Island, pursuant to the Cape Breton Development Corporation Act. Its current corporate goal is to be a dependable supplier of quality coal and related energy products by operating a safe, commercially viable corporation which will provide a positive working environment through efficient and effective utilization of human, physical and technical resources.

Pursuant to the Government Organization Act, Atlantic Canada, 1987 as proclaimed on December 1, 1988, the Cape Breton Development Corporation Act was amended to allow for the continuation of the former Industrial Development Division of the Corporation as the Enterprise Cape Breton Corporation.

2. Summary of significant accounting policies

(a) Financing

The Corporation, an agent of Her Majesty, is listed as a Schedule III, Part I, corporation for purposes of the Financial Administration Act. The Corporation receives Parliamentary appropriations for capital expenditure and operating loss purposes as well as advances from the Government of Canada for working capital purposes on such terms as may be agreed upon, as provided for in the Cape Breton Development Corporation Act. Parliamentary appropriations are reflected in the Statement of Equity as requisitioned by the Corporation. Treasury Board has indicated that depreciation should not be provided in determining mining losses for Parliamentary appropriation. Accordingly, the depreciation provision has been eliminated in arriving at this amount.

(b) Inventories

Inventories are valued at the lower of cost and net realizable value.

(c) Fixed assets

Fixed assets are stated at cost. The Corporation has provided depreciation on its fixed assets based on their estimated useful lives.

(d) Foreign currency translation

Monetary assets and liabilities are translated at exchange rates in effect at the balance sheet date. Revenue and expenses are translated at the rate of exchange prevailing on the transaction date. The resulting foreign currency translation gains and losses are included in the results of operations.

(e) Pensions

Pension expense each year is comprised of a current and a past service cost. The past service cost, which represents an allocation of the unfunded obligation, is being amortized at the rate it is being funded. The Corporation is of the opinion that this is the most appropriate method since it provides for a systematic manner of amortization which conforms to the Corporation's overall funding by the Government of Canada.

(f) Workers' compensation

In accordance with the Government Employees' Compensation Act, the Corporation reimburses Labour Canada for current payments for workers' compensation billed by the Workers' Compensation Board of the Province of Nova Scotia.

3. Accounts receivable

	1990	1989
	(in thousands of dollars)	
Trade	23,948	6,318
Employees	845	1,695
	24,793	8,013
Less: allowance for doubtful accounts	355	150
	24,438	7,863

4. Fixed assets

	1990	1989
	(in thousands of dollars)	
Lingan Colliery	175,560	173,844
Prince Colliery	113,080	109,398
Phalen Colliery	205,945	200,576
Donkin-Morien Development Project	80,679	80,679
Coal Preparation Plant	91,803	91,358
Devco Railway	78,861	77,941
Carbogel	8,206	7,519
Other fixed assets	41,809	41,029
	795,943	782,344
Accumulated depreciation	384,828	320,454
	411,115	461,890

Included in fixed assets above is $80,678,573 of cumulative costs to March 31, 1990 on the Donkin-Morien Development Project. The Corporation has provided for depreciation of $39,605,207 against this project to date. The 1990/91 to 1994/95 Corporate Plan, as approved by Governor-in-Council, does not provide for development of this project over the next five years. Additional development costs will be required to bring the Project into commercial production.

Also included in fixed assets above is $175,559,760 of cumulative costs to March 31, 1990 on the Lingan Colliery. The Corporation is converting this Colliery to pillarless retreat mining and the performance during the conversion will determine its future. Depreciation to date, amounting to $131,164,734 has been provided at normal Corporation rates.

5. Commitments

(a) Commitments on capital projects include the following:

Approximately $1,800,000 for underground mining equipment

Approximately $150,000 for other facilities

(b) The Corporation leases the General Mining Building which houses its administrative offices. The lease is for a 20 year period which commenced June, 1984. The annual lease payments fluctuate with changes in the lessor's mortgage interest rates. Current lease payments are $1,370,000 per annum at an interest rate of 11.75%.

6. Contingent liabilities and claims

(a) Legal matters

The Corporation is subject to a claim and several actions totaling approximately $3.3 million. The Corporation intends to oppose these matters in their entirety.

(b) Insurance

The Corporation self insures against the potential loss of underground assets and for a portion of its liability insurance.

CAPE BRETON DEVELOPMENT CORPORATION—*Concluded*

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 1990—*Concluded*

7. Long-term agreement

The Corporation has signed an agreement with the Nova Scotia Power Corporation which calls for the delivery of a substantial portion of the Corporation's coal production to the Power Corporation. The agreement expires in the year 2010.

8. Pensions

An actuarial valuation of the Corporation's Non-Contributory Pension Plan, a defined benefit plan, as at December 31, 1988, indicated an unfunded actuarial liability of $69,009,000 (assets of $99,772,000 and liabilities of $168,781,000). The minimum annual amount required for past and current service, including pension payments, will be approximately $14,390,000 in each year from 1990 to 1992, $6,116,000 from 1993 to 2000 and $4,311,000 from 2001 to 2004. The Corporation has expensed pension payments of $14,805,000 for the year.

An actuarial valuation of the Corporation's Contributory Pension Plan, a defined benefit plan, as at December 31, 1987, indicated a final surplus of $3,095,000 (assets of $21,765,000 and liabilities of $18,670,000). Required Corporation payments in respect of current service costs are funded each year and amounted to approximately $880,000 expensed for the year ended March 31, 1990.

9. Income taxes

The Corporation is subject to the provisions of the Income Tax Act.

During the year the Corporation was reassessed by Revenue Canada, Taxation for the years 1983-1989. The reassessment treats funding provided by the Government of Canada as government assistance for operating and capital purposes. It is the Corporation's intention to oppose this position to the fullest. The outcome of this matter is not determinable at this time and therefore no adjustment has been reflected in these financial statements.

10. Comparative figures

Certain of the comparative figures have been reclassified to conform to the presentation adopted for the current year.

DEFENCE CONSTRUCTION (1951) LIMITED

AUDITOR'S REPORT

TO THE MINISTER OF PUBLIC WORKS

I have examined the balance sheet of Defence Construction (1951) Limited as at March 31, 1990 and the statements of operations and deficit and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the corporation as at March 31, 1990 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the corporation that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with Part X of the Financial Administration Act and regulations, the Defence Production Act and the by-laws of the corporation.

Raymond Dubois, F.C.A.
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
May 31, 1990

BALANCE SHEET AS AT MARCH 31, 1990

ASSETS	1990	1989
	$	$
Current		
Cash (Note 7(b))	1,367,044	355,679
Accounts receivable	380,831	291,400
Other	56,266	36,844
	1,804,141	683,923
Fixed assets		
Furniture and equipment, at cost	1,608,981	1,237,863
Less: accumulated depreciation	1,147,535	996,538
	461,446	241,325
	2,265,587	925,248

LIABILITIES	1990	1989
	$	$
Current		
Accounts payable and accrued liabilities	997,801	703,234
Due to Department of National Defence (Note 3)	1,028,762	237,964
Contractors' security deposits	215,859	139,725
	2,242,422	1,080,923
Provision for employee benefits (Note 4)	2,935,121	2,630,065
	5,177,543	3,710,988
CAPITAL STOCK AND DEFICIT		
Capital stock		
Authorized—1,000 shares of no par value		
Issued—31 shares	31	31
Deficit (Note 5)	(2,911,987)	(2,785,771)
	(2,911,956)	(2,785,740)
	2,265,587	925,248

Approved by the Board:

JOHN W WOODS
Director

JOHN D. McLURE
Director

DEFENCE CONSTRUCTION (1951) LIMITED—*Continued*

STATEMENT OF OPERATIONS AND DEFICIT
FOR THE YEAR ENDED MARCH 31, 1990

	1990	1989
	$	$
Expenses		
Salaries	10,045,465	9,200,213
Employee benefits	1,860,179	1,791,829
Travel and removal	992,001	928,061
Telephone	387,341	375,190
Office accommodation	372,303	349,370
Advertising	332,438	300,743
Training and professional development	326,282	234,995
Office supplies and maintenance	312,096	268,631
Postage, express and freight	254,855	238,080
Depreciation	177,013	155,248
Rental of machinery	132,327	135,892
Professional services	127,466	121,869
Other	69,768	62,386
	15,389,534	14,162,507
Cost recoveries		
Department of National Defence	14,332,418	13,675,347
Others	930,900	642,619
	15,263,318	14,317,966
Excess of expenses over cost recoveries (cost recoveries over expenses)	126,216	(155,459)
Deficit at beginning of the year	2,785,771	2,941,230
Deficit at end of the year	2,911,987	2,785,771

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1990

	1990	1989
	$	$
Operating activities		
Excess of (expenses over cost recoveries) cost recoveries over expenses	(126,216)	155,459
Items not requiring cash		
Provision for employee benefits	439,364	496,508
Depreciation	177,013	155,248
Net decrease (increase) in non-cash working capital balances related to operations*	1,052,646	(1,191,510)
Cash provided by (used in) operations	1,542,807	(384,295)
Employee benefits paid	(134,308)	(687,298)
Cash provided by (used in) operations activities	1,408,499	(1,071,593)
Investing activities		
Acquisition of equipment	(397,134)	(91,988)
Increase (decrease) in cash during the year	1,011,365	(1,163,581)
Cash at beginning of the year	355,679	1,519,260
Cash at end of the year	1,367,044	355,679

* Consisting of changes in receivables, other assets, accounts payable and accrued liabilities, due to Department of National Defence, and contractors' security deposits.

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1990

1. Authority and objective

Defense Construction (1951) Limited was incorporated under the Canada Corporations Act in 1951 and was continued under the Canada Business Corporations Act, pursuant to the authority of the Defence Production Act. The objective of the corporation is to contract for major military construction and maintenance projects required by the Department of National Defence. The corporation is an agent Crown corporation named in Part I of Schedule III to the Financial Administration Act. The corporation is not subject to income taxes.

2. Significant accounting policies

Expenses

The accounts of the corporation reflect only the administrative expenses incurred in procuring the construction and maintenance of defence projects on behalf of the Department of National Defence and in procuring the construction of such other projects as are approved by Treasury Board.

Furniture and equipment

Furniture and equipment are recorded at cost and are depreciated on a straight-line basis over five years.

Employee termination benefits

Employees are entitled to specified termination benefits calculated at salary levels in effect at the time of separation as provided for by conditions of employment. The liability for these benefits is recorded as the benefits accrue to employees.

Pension plan

Employees are covered by the Public Service Superannuation Plan administered by the Government of Canada. The corporation's contributions to the plan are limited to an amount equal to the employees' contributions on account of current and certain past service. These contributions represent the total pension obligations of the corporation and are charged to income on a current basis.

Services provided without charge

The Department of National Defence provided office space free of charge for employees of the corporation.

3. Due to Department of National Defence

The cost of operations is recovered through the Department of National Defence to the extent of net cash requirement, and any excess of cash advances are refunded at year end. As at March 31, 1990, the net balance due to Department of National Defence was $1,028,762 (1989—$237,964).

4. Provision for employee benefits

	1990	1989
	$	$
Termination benefits	2,616,205	2,356,547
Life insurance	64,484	54,608
Compensation benefits	692,744	615,941
	3,373,433	3,027,096
Less: current portion	438,312	397,031
	2,935,121	2,630,065

DEFENCE CONSTRUCTION (1951) LIMITED—*Concluded*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1990—*Concluded*

5. Deficit

The deficit of the corporation is comprised of the difference between the provision for employee benefits, which will be funded in future years as they are paid, and the net book value of fixed assets.

	1990	1989
	$	$
Deficit, beginning of the year	2,785,771	2,941,230
Increase (decrease) in employee benefit provision for the year	346,337	(218,720)
Decrease (increase) in net book value of fixed assets for the year	(220,121)	63,261
Deficit, end of the year	2,911,987	2,785,771
Composed of:		
Provision for employee benefits (Note 4)	3,373,433	3,027,096
Net book value of fixed assets	(461,446)	(241,325)
	2,911,987	2,785,771

6. Lease commitments

The corporation leases certain equipment and accommodation in the performance of its operations. These arrangements include occupancy agreements expiring at various dates for office accommodation. The future minimum lease payments are:

Year ending March 31	$
1991	339,162
1992	187,556
1993	72,655
1994	72,655
1995	51,374
	723,402

7. Contingencies

(a) Claims aggregating approximately $10,975,000 in respect of contractual obligations have been received by the corporation, but are not reflected in the accounts. In the opinion of management and legal counsel, the position of the corporation is defensible. However, the final outcome of such claims is not determinable. Any settlements resulting from the resolution of these claims will be funded through the Department of National Defence, in the year in which the settlements occur.

(b) Included in the cash balance as at March 31, 1990 is an amount of $350,000 subject to restricted use which serves as security against the potential risk of environmental damage with respect to a project.

8. Comparative figures

Certain 1989 comparative figures have been reclassified to conform with the current year's presentation.

ENTERPRISE CAPE BRETON CORPORATION

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Enterprise Cape Breton Corporation and all information in this annual report are the responsibility of management and have been approved by the Board of Directors. The consolidated financial statements include some amounts, such as the allowances for doubtful loans and interest, that are necessarily based on management's estimates and judgement.

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles consistently applied. Financial information presented elsewhere in the annual report is consistent with that contained in the consolidated financial statements.

In discharging its responsibility for the integrity and fairness of the consolidated financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are authorized, assets are safeguarded and proper records are maintained. In addition, the Audit Committee of the Board oversees management's responsibilities for maintaining adequate control systems and the quality of financial reporting.

The independent auditor, the Auditor General of Canada, is responsible for auditing the consolidated financial statements and for issuing his report thereon.

AUDITOR'S REPORT

TO THE MINISTER FOR THE PURPOSES OF THE ATLANTIC CANADA OPPORTUNITIES AGENCY ACT

I have examined the consolidated balance sheet of the Enterprise Cape Breton Corporation as at March 31, 1990, and the consolidated statements of equity, operations and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these consolidated financial statements present fairly the financial position of the Corporation as at March 31, 1990 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

Further, in my opinion, the transactions of the Corporation and of its wholly-owned subsidiaries that have come to my notice during my examination of the consolidated financial statements have, in all significant respects, been in accordance with Part X of the Financial Administration Act and regulations, the Enterprise Cape Breton Corporation Act and the by-laws of the Corporation and its wholly-owned subsidiaries.

Raymond Dubois, F.C.A.
Deputy Auditor General
for the Auditor General of Canada

Ottawa Canada
June 8, 1990

CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 1990

ASSETS	1990	1989
	$	$
Cash and short-term investments	1,021,017	2,061,173
Accounts receivable (net of allowance of $122,242; 1989: $93,891)	470,385	636,200
Interest receivable (net of allowance of $582,997; 1989: $497,284)	193,306	368,108
Receivable—Government of Canada	1,800,000	620,000
Inventories	114,464	243,473
Prepaid expenses	62,735	71,187
	3,661,907	4,000,141
Loans (Notes 3 and 4)	4,598,985	9,155,195
Investments (net of allowance of $1,350,000; 1989: $70,000)	600,000	300,000
Fixed assets (Note 5)	16,797,346	19,988,494
	25,658,238	33,443,830

LIABILITIES	1990	1989
	$	$
Accounts payable and accrued liabilities	3,165,964	1,447,474
EQUITY		
Equity of Canada	22,492,274	31,996,356
	25,658,238	33,443,830

Guarantees (Note 7)
Commitments (Note 8)

Approved by the Board:

P.B. LESAUX
Director

P.J. BATES
Director

ENTERPRISE CAPE BRETON CORPORATION—*Continued*

CONSOLIDATED STATEMENT OF EQUITY FOR THE YEAR ENDED MARCH 31, 1990
(with comparative figures for the four-month period ended March 31, 1989)

	1990	1989
	$	$
Equity at beginning of the period	31,996,356	31,343,416
Parliamentary appropriation (Note 1(b))	7,300,000	3,420,000
	39,296,356	34,763,416
Net operating expenses for the period	16,804,082	2,767,060
Equity at end of the period	22,492,274	31,996,356

CONSOLIDATED STATEMENT OF OPERATIONS FOR THE YEAR ENDED MARCH 31, 1990
(with comparative figures for the four-month period ended March 31, 1989)

	1990	1989
	$	$
Development expenses		
New business development programs	3,887,571	1,214,330
General development assistance	731,061	49,716
Provision for doubtful loans (net of recoveries $177,750; 1989: $24,651)	2,413,766	233,814
Provision for doubtful interest (net of recoveries $37,461; 1989: $13,533)	103,023	49,722
Provision for doubtful investments	1,300,000	70,000
	8,435,421	1,617,582
Operating expenses of Corporate-owned facilities		
Rental	1,775,893	505,433
Tourist	1,113,457	128,754
Agriculture and forestry	393,274	121,311
Depreciation and amortization	2,564,769	567,098
	5,847,393	1,322,596
Administrative expenses (Note 6)	2,477,842	579,774
Transition costs	362,047	286,015
Provision for disposal of subsidiary (Note 10)	2,799,200	
	5,639,089	865,789
Total operating expenses	19,921,903	3,805,967
Income from Corporate-owned facilities		
Rental	1,835,121	328,891
Tourist	1,130,619	82,328
Agriculture and forestry	37,947	21,710
	3,003,687	432,929
Interest income		
Loans	721,113	514,477
Other	393,021	91,501
Total operating income	4,117,821	1,038,907
Net operating expenses before extraordinary item	15,804,082	2,767,060
Extraordinary item		
Provision for environmental clean-up (Note 11)	1,000,000	
Net operating expenses	16,804,082	2,767,060

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED MARCH 31, 1990
(with comparative figures for the four-month period ended March 31, 1989)

	1990	1989
	$	$
Financing activities		
Parliamentary appropriation	7,300,000	3,420,000
Operating activities		
Net operating expenses for the period	(16,804,082)	(2,767,060)
Charges not affecting cash		
Depreciation and amortization	2,564,769	567,098
Loan forgiveness	27,631	5,670
Provision for doubtful loans and interest	2,302,731	343,615
Provision for doubtful investment	1,300,000	70,000
Provision for disposal of subsidiary	1,849,200	
	(8,759,751)	(1,780,677)
Decrease (increase) in non-cash operating working capital*	1,016,569	(558,914)
Cash used in operating activities	(7,743,182)	(2,339,591)
Investing activities		
Loan advances	(309,529)	(698,432)
Loan repayments	2,535,378	640,139
Purchase of fixed assets	(2,296,586)	(280,240)
Proceeds from sale of fixed assets	1,073,763	87,500
Purchase of investments	(1,600,000)	
Cash used in investing activities	(596,974)	(251,033)
Increase (decrease) in cash and short-term investments	(1,040,156)	829,376
Cash and short-term investments at beginning of the period	2,061,173	1,231,797
Cash and short-term investments at end of the period	1,021,017	2,061,173
*Decrease (increase) in non-cash operating working capital		
Accounts receivable	(1,014,184)	(712,139)
Interest receivable	174,802	4,830
Inventories	129,009	(15,486)
Prepaid expenses	8,452	20,492
Accounts payable and accrued liabilities	1,718,490	143,389
	1,016,569	(558,914)

ENTERPRISE CAPE BRETON CORPORATION—*Continued*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 1990

1. The Corporation

(a) Authority and objectives

Enterprise Cape Breton Corporation (ECBC) was established pursuant to the Enterprise Cape Breton Corporation Act (Part II of the Government Organization Act, Atlantic Canada, 1987) which was proclaimed on December 1, 1988. Through this legislation, the mandate, powers, operations and programs of the former Industrial Development Division of the Cape Breton Development Corporation were subsumed by the newly formed Corporation. The Corporation is an agent Crown corporation listed in Schedule III, Part I of the Financial Administration Act. Its objects, as stated in its enabling legislation are:

> to promote and assist either alone or in conjunction with any person or the Government of Canada or of Nova Scotia or any agency of either of those governments, the financing and development of industry on the Island of Cape Breton to provide employment outside the coal producing industry and to broaden the base of the economy of the Island.

The Corporation operates in various sectors of the local economy, with the exception of the coal industry, and uses its broad mandate and flexible financial powers to strengthen the economy of the region. The new Corporation continues to administer the programs and initiatives of its predecessor while evaluating existing activities and preparing the ground work for future directions.

(b) Parliamentary appropriation

The Government of Canada approved a vote in the amount of $10,600,000 and the Corporation utilized $7,300,000.

2. Significant accounting policies

(a) Basis of consolidation

(i) The financial statements of Enterprise Cape Breton Corporation include the results of the Corporation and all its subsidiaries as outlined below.

	Corporation interest	Period ended
Darr (Cape Breton) Limited—Rental facility	100%	December 31
Dundee Estates Limited—Tourist facility	100%	March 31
Whale Cove Summer Village Limited—Tourist facility	62.5%	March 31
Cape Breton Marine Farming Limited—Inactive	100%	March 31

(ii) The financial statements of Darr (Cape Breton) Limited are based on the assumption that the company can continue to operate as a going concern, which assumption depends on the continued financial support of its parent.

(iii) The fixed assets of Dundee Estates Limited are recorded at estimated realizable value of the company's assets (see Note 10).

(iv) As the financial statements of Whale Cove Summer Village Limited report a deficit equity position as at March 31, 1990, and the minority interest in losses to date have been absorbed against the total of the minority invested capital, all losses of this company are included in the consolidated net operating expenses. As a consequence, no minority interest for this subsidiary is shown in the consolidated balance sheet.

(b) Loans

Loans are recorded at the lower of cost and estimated net realizable value. Certain loans may include interest which has been capitalized as principal due to the restructuring of the terms of the loan contract.

(c) Allowances for doubtful and forgivable loans

The allowance for doubtful loans represents management's estimate of probable losses on specific loans outstanding at the end of the period. The allowance is based on a periodic evaluation of the loan portfolio in which numerous factors are considered, including the period of delinquency, market conditions, financial viability of the business and managerial capabilities. Management has estimated the effect of these risks and uncertainties when determining the allowance for doubtful loans. Doubtful loans may be reinstated to an accrual status when, in management's opinion, the ultimate collectibility of principal and interest is reasonably assured.

Certain loans are subject to terms of forgiveness as stipulated in the loan contract. The amount eligible for forgiveness is charged to operations when eligibility conditions are met.

Actual loan losses are charged to operations while recoveries are credited. Adjustments of the allowances for doubtful and forgivable loans to the level regarded by management as being appropriate are charged to operations.

(d) Investments

The Corporation has preferred equity holdings as well as partnership interests. These investments are subject to restrictive terms of agreement and are shown at cost net of allowance for doubtful investments.

(e) Interest income

Interest income is recorded on the accrual basis until such time as management determines that a loan should be classified as doubtful. When a loan is classified as doubtful, uncollected interest for the current period and previous periods is charged to the provision for doubtful loans and interest.

Interest payments subsequently received on doubtful loans are recorded as interest income on a cash basis.

(f) Fixed assets

Fixed assets are recorded at lower of cost less accumulated depreciation or amortization and net realizable value. Depreciation and amortization are provided over the estimated useful lives of the fixed assets using the straight-line method at the rates indicated below:

Buildings	up to 25 years
Equipment and furniture	4 to 10 years
Computer equipment and software	5 years
Leasehold improvements	up to 20 years
Vehicles	3 to 4 years

(g) Pension plans

All eligible employees participate only in the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the Plan are required equally from the employees and the Corporation. These contributions are expensed during the period in which the services are rendered and represent the total pension obligations of the Corporation.

ENTERPRISE CAPE BRETON CORPORATION—*Continued*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 1990—*Continued*

3. Loans

An analysis of the loan balance outstanding at March 31 is as follows:

Annual interest rate	1990	1989
	$	$
0 %	1,257,440	1,216,028
Less than 8 %	504,346	556,040
8 - 9.95 %	4,824,813	5,428,173
10 - 11.88 %	2,682,176	5,025,161
12 % and over	392,628	430,433
	9,661,403	12,655,835
Less: Allowance for doubtful loans (Note 4)	4,790,089	3,200,489
Allowance for forgivable loans	272,329	300,151
	4,598,985	9,155,195

Amounts due by fiscal year based on loan terms are as follows:

	1990	1989
	$	$
Principal past due	739,327	596,254
1990		1,542,346
1991	992,708	1,089,916
1992	633,272	877,469
1993	541,382	706,910
1994	495,770	621,288
1995 and beyond	6,258,944	7,221,652
	9,661,403	12,655,835
Accrued interest—		
Current	391,826	466,542
Arrears	384,477	398,850
	776,303	865,392

4. Allowance for doubtful loans

	1990	1989
	$	$
Balance at beginning of the period	3,200,489	2,871,498
Write-offs, net of recoveries	(1,001,174)	(34,903)
Provision for doubtful loans—		
Current year lending	2,227,734	411,597
General provision	380,000	250,000
Reductions due to restructuring and reinstatements to accrual status	(16,960)	(297,703)
Balance at end of the period	4,790,089	3,200,489

The balance comprises 45 loans (1989—67) classified as doubtful.

5. Summary of fixed assets

	1990	1989
	$	$
Land for development	509,096	545,380
Equipment, furniture, leaseholds	928,529	726,045
Rental facilities	23,638,487	21,996,651
Tourist facilities	3,719,567	6,121,070
Agriculture and forestry facilities	1,364,609	1,734,612
	30,160,288	31,123,758
Accumulated depreciation and amortization	13,362,942	11,135,264
	16,797,346	19,988,494

The categories of rental, tourist, and agriculture and forestry facilities shown above each include land, buildings and equipment.

6. Administrative expenses

	1990	1989
	$	$
Salaries and employee benefits	1,238,771	336,361
Office and miscellaneous	643,992	137,436
Professional fees	236,982	61,536
Travel	129,486	44,441
Port Hawkesbury office	228,611	
	2,477,842	579,774

7. Guarantees

During 1976, the Industrial Development Division of the Cape Breton Development Corporation guaranteed the repayment by Sydney Steel Corporation of that Corporation's 70,000,000 11 1/4% Series D Debentures and the repayment of interest thereon. These funds were borrowed by Sydney Steel Corporation for the purpose of financing its plant rehabilitation program. The balance of the outstanding debentures has since been reduced to $26,460,000.

During 1971, the Industrial Development Division of the Cape Breton Development Corporation guaranteed the repayment of bank advances to Stora Kopparbergs Bergslags Abtiebolag. This guarantee originally amounted to $30,000,000. The balance of advances has since been reduced to $3,104,585.

As successor to the Industrial Development Division of the Cape Breton Development Corporation, the Corporation assumed these guarantees, which were made for and on behalf of Her Majesty the Queen in right of Canada; therefore, any amounts required to be paid as a result of these guarantees shall be paid out of the Consolidated Revenue Fund of Canada.

8. Commitments

(a) As at March 31 the Corporation had outstanding commitments as follows:

	1990	1989
	$	$
Development contributions	2,737,571	2,456,603
Capital expenditures	448,655	53,904
Loans	414,541	82,968
	3,600,767	2,593,475

ENTERPRISE CAPE BRETON CORPORATION—*Continued*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 1990—*Concluded*

(b) Future minimum payments by fiscal year on operating leases for premises, with initial non-cancellable lease terms in excess of one year, are as follows:

	$
1991	252,954
1992	252,954
1993	59,414
1994	41,820
	607,142

9. Comparative figures

Certain of the comparative figures have been reclassified to conform to the presentation adopted for the current year.

A comparative consolidated statement of operations for the four-month period of the Corporation and previous periods of the Industrial Development Division of the Cape Breton Development Corporation (CBDC/IDD) has been included in the attached schedule for information purposes only.

10. Provision for disposal of subsidiary

The Corporation has agreed, subject to Governor-in-Council approval, to sell all of the assets of Dundee Estates Limited to a private tourist operator for proceeds of $2,000,000. The sales agreement provides for a loan of $950,000 which will be forgiven by the Corporation upon completion of the required terms of the agreement. The provision for disposal of subsidiary provides for this forgiveness and the net loss on disposal of all the assets of the subsidiary. The Corporation intends to remit the net proceeds of the sale to the Consolidated Revenue Fund of Canada.

11. Provision for environmental clean-up

During the year, the Corporation discovered contaminated land in Sydport Industrial Park formerly occupied by a tenant involved in the reclamation of scrap metal. Management immediately undertook to contain the contamination and commenced a controlled clean-up operation. The estimate of $1,000,000 of costs to be incurred during this process have been recorded in the accounts at March 31, 1990.

ENTERPRISE CAPE BRETON CORPORATION—*Continued*

SCHEDULE TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 1990
(Comparative consolidated statements of operations (Note 9))

	ECBC March 31 1990 (12 months)	ECBC March 31 1989 (4 months)	CBDC/IDD November 30 1988 (8 months)	ECBC and CBDC/IDD March 31 1989 (12 months)
	$	$	$	$
Development expenses				
New business development programs	3,887,571	1,214,330	3,096,350	4,310,680
General development assistance	731,061	49,716	266,375	316,091
Provision for doubtful loans	2,413,766	233,814	901,020	1,134,834
Provision for doubtful interest	103,023	49,722	140,667	190,389
Provision for doubtful investments	1,300,000	70,000		70,000
	8,435,421	1,617,582	4,404,412	6,021,994
Operating expenses of Corporate-owned facilities				
Rental	1,775,893	505,433	1,520,880	2,026,313
Tourist	1,113,457	128,754	820,309	949,063
Agriculture and forestry	393,274	121,311	304,394	425,705
Depreciation and amortization	2,564,769	567,098	1,517,805	2,084,903
	5,847,393	1,322,596	4,163,388	5,485,984
Administrative expenses	2,477,842	579,774	1,216,969	1,796,743
Transition costs	362,047	286,015		286,015
Provision for disposal of subsidiary	2,799,200			
	5,639,089	865,789	1,216,969	2,082,758
Total operating expenses	19,921,903	3,805,967	9,784,769	13,590,736
Income from Corporate-owned facilities				
Rental	1,835,121	328,891	1,503,595	1,832,486
Tourist	1,130,619	82,328	905,995	988,323
Agriculture and forestry	37,947	21,710	23,839	45,549
	3,003,687	432,929	2,433,429	2,866,358
Interest income				
Loans	721,113	514,477	471,428	985,905
Other	393,021	91,501	160,272	251,773
Total operating income	4,117,821	1,038,907	3,065,129	4,104,036
Net operating expenses before extraordinary items	15,804,082	2,767,060	6,719,640	9,486,700
Extraordinary item				
Provision for environmental clean-up	1,000,000			
Net operating expenses	16,804,082	2,767,060	6,719,640	9,486,700

ENTERPRISE CAPE BRETON CORPORATION—*Continued*

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Enterprise Cape Breton Corporation and all information in this annual report are the responsibility of management and have been approved by the Board of Directors. The consolidated financial statements include some amounts, such as the allowances for doubtful loans and interest, that are necessarily based on management's estimates and judgement.

The consolidated financial statements have been prepared in accordance with accounting principles which are generally accepted in Canada and which have been consistently applied. Financial information presented elsewhere in the annual report is consistent with that contained in the consolidated financial statements.

In discharging its responsibility for the integrity and fairness of the consolidated financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are authorized, assets are safeguarded and proper records are maintained. In addition, the Audit Committee of the Board oversees management's responsibilities for maintaining adequate control systems and the quality of financial reporting.

The independent auditor, the Auditor General of Canada, is responsible for auditing the consolidated financial statements and for issuing his report thereon.

AUDITOR'S REPORT

TO THE MINISTER FOR THE PURPOSES OF THE ATLANTIC CANADA OPPORTUNITIES AGENCY ACT

I have examined the consolidated balance sheet of the Enterprise Cape Breton Corporation as at March 31, 1989, and the consolidated statements of equity, operations and changes in financial position for the four-month period then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these consolidated financial statements present fairly the financial position of the Corporation as at March 31, 1989 and the results of its operations and changes in its financial position for the four-month period then ended in accordance with generally accepted accounting principles applied on a consistent basis.

Further, in my opinion, the transactions of the Corporation and of its wholly-owned subsidiaries that have come to my notice during my examination of the consolidated financial statements have, in all significant respects, been in accordance with Part X of the Financial Administration Act and regulations, the Enterprise Cape Breton Corporation Act and the by-laws of the Corporation and its wholly-owned subsidiaries.

Raymond Dubois, F.C.A.
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
September 19, 1989

CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 1989

ASSETS	1989	LIABILITIES	1989
	$		$
Cash and short-term investments	2,061,173	Accounts payable	1,447,474
Accounts receivable	636,200		
Interest receivable (net of allowance of $497,284)	368,108	EQUITY	
Parliamentary appropriation receivable (Note 1c)	620,000	Equity of Canada	31,996,356
Inventories	243,473		
Prepaid expenses	71,187		
	4,000,141		
Loans (Notes 3 and 4)	9,155,195		
Investments	300,000		
Fixed assets (Note 5)	19,988,494		
	33,443,830		33,443,830

Guarantees (Note 7)
Commitments (Note 8)
Comparative figures (Note 10)

On behalf of the Board:

P.B. LESAUX
Director

P.J. BATES
Director

ENTERPRISE CAPE BRETON CORPORATION—*Continued*

CONSOLIDATED STATEMENT OF EQUITY FOR THE FOUR-MONTH PERIOD ENDED MARCH 31, 1989

	1989
	$
Equity at beginnning of the period	31,343,416
Parliamentary appropriation (Note 1c)	3,420,000
	34,763,416
Net operating expenses for the period	2,767,060
Equity at end of the period	31,996,356

CONSOLIDATED STATEMENT OF OPERATIONS FOR THE FOUR-MONTH PERIOD ENDED MARCH 31, 1989

	1989
	$
Development expenses	
New business development programs	1,214,330
General development assistance	49,716
Provision for doubtful loans and interest	353,536
	1,617,582
Operating expenses of corporate-owned facilities	
Rental facilities	505,433
Tourist facilities	128,754
Agriculture and forestry facilities	121,311
Depreciation and amortization	567,098
	1,322,596
Administrative expenses (Note 6)	579,774
Transition costs	286,015
Total operating expenses	3,805,967
Income from corporate-owned facilities	
Rental facilities	328,891
Tourist facilities	82,328
Agriculture and forestry facilities	21,710
	432,929
Interest income	
Loan interest	514,477
Other interest	91,501
Total operating income	1,038,907
Net operating expenses for the period	2,767,060

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE FOUR-MONTH PERIOD ENDED MARCH 31, 1989

	1989
	$
Financing activities	
Parliamentary appropriation	(3,420,000)
Operating activities	
Net operating expenses for the period	2,767,060
Charges not affecting cash	
Depreciation and amortization	567,098
Loan forgiveness	5,670
Provision for doubtful loans and interest	413,615
	1,780,677
Increase in non-cash operating working capital*	558,914
Cash used in operating activities	2,339,591
Investing activities	
Loan advances	698,432
Loan repayments	(640,139)
Additions to fixed assets	280,240
Proceeds from sale of fixed assets	(87,500)
Cash used in investing activities	251,033
Increase in cash and short-term investments	829,376
Cash and short-term investments at beginning of the period	1,231,797
Cash and short-term investments at end of the period	2,061,173
*Increase (decrease) in non-cash operating working capital:	
Accounts receivable	712,139
Interest receivable	(4,830)
Inventories	15,486
Prepaid expenses	(20,492)
Accounts payable	(143,389)
	558,914

ENTERPRISE CAPE BRETON CORPORATION—*Continued*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 1989

1. The Corporation

(a) Authority and objectives

Enterprise Cape Breton Corporation (ECBC) was established pursuant to the Enterprise Cape Breton Corporation Act (Part II of the Government Organization Act, Atlantic Canada, 1987) which was proclaimed on December 1, 1988. Through this legislation, the mandate, powers, operations and programs of the former Industrial Development Division of the Cape Breton Development Corporation were subsumed by the newly formed Corporation. The Corporation is an agent Crown corporation listed in Schedule III, Part I of the Financial Administration Act. Its objects, as stated in its enabling legislation are:

> to promote and assist either alone or in conjunction with any person or the Government of Canada or of Nova Scotia or any agency of either of those governments, the financing and development of industry on the Island of Cape Breton to provide employment outside the coal producing industry and broaden the base of the economy of the Island.

The Corporation operates in various sectors of the local economy, with the exception of the coal industry, and uses its broad mandate and flexible financial powers to strengthen the economy of the region. The new Corporation continues to administer the programs and initiatives of its predecessor while evaluating existing activities and preparing the ground work for future directions.

(b) Amounts transferred

In summary, the amounts transferred at December 1, 1988, were as follows:

	$
Assets	32,646,512
Liabilities	1,303,096
Equity	31,343,416
Guarantees	36,478,659
Commitments	4,462,000

(c) Parliamentary appropriation

The balance of the Parliamentary appropriation voted to the Industrial Development Division of the Cape Breton Development Corporation in the amount of $2,800,000 was transferred to and received by the Corporation during the period. In addition, funding from the 1988-89 Supplementary Estimates was approved in the amount of $620,000 to fund the start-up, transitional overhead and new overhead functions of the Corporation and has been reflected in these financial statements. During this period, the Corporation incurred $286,015 in costs relating to the transition, with the balance of $333,985 to be incurred during 1989-90.

2. Significant accounting policies

(a) Basis of consolidation

(i) The financial statements of Enterprise Cape Breton Corporation include the results of the Corporation and all its subsidiaries as explained below.

	Corporation interest	Period ended
Darr (Cape Breton) Limited— Rental facility	100%	December 31
Dundee Estates Limited— Tourist facility	100%	March 31
Whale Cove Summer Village— Tourist facility	62.5%	March 31
Cape Breton Marine Farming Limited— Inactive	100%	March 31

(ii) The financial statements of Darr (Cape Breton) Limited and Dundee Estates Limited are based on the assumption that each company can continue to operate as a going concern, which assumption depends on the continued financial support of its parent.

(iii) As the financial statements of Whale Cove Summer Village Limited report a deficit equity position as at March 31, 1989, and the minority interest in losses to date have been absorbed against the total of the minority invested capital, the losses of this company are included in the consolidated net operating expenses. As a consequence, no minority interest for this subsidiary is shown in the consolidated balance sheet.

(b) Loans and investments

Loans and investments are recorded at the lower of cost and estimated net realizable value. Certain loans may include interest which has been capitalized as principal due to the restructuring of the terms of the loan contract.

(c) Allowances for doubtful and forgivable loans

The allowance for doubtful loans represents management's estimate of probable losses on specific loans outstanding at the end of the period. The allowance is based on a periodic evaluation of the loan portfolio in which numerous factors are considered, including the period of delinquency, market conditions, financial viability of the business, and managerial capabilities. Management has estimated the effect of these risks and uncertainties when determining the allowance for doubtful loans. Doubtful loans may be reinstated to an accrual status when, in management's opinion, the ultimate collectibility of principal and interest is reasonably assured.

Certain loans are subject to terms of forgiveness as stipulated in the loan contract. The amount eligible for forgiveness is charged to operations when eligibility conditions are met.

Actual loan losses are charged to operations while recoveries are credited. Adjustments of the allowances for doubtful and forgivable loans to the level regarded by management as being appropriate are charged to operations.

(d) Interest income

Interest income is recorded on the accrual basis until such time as management determines that a loan should be classified as doubtful. When a loan is classified as doubtful, uncollected interest for the current period and previous periods is charged to the provision for doubtful loans and interest.

Interest payments subsequently received on doubtful loans are recorded as interest income on a cash basis.

(e) Fixed assets

Fixed assets are recorded at cost less accumulated depreciation or amortization. Depreciation and amortization are provided over the estimated useful lives of the fixed assets using the straight-line method at the rates indicated below:

Buildings	up to 25 years
Equipment and furniture	4 to 10 years
Computer equipment and software	5 years
Leasehold improvements	up to 20 years
Vehicles	3 to 4 years

ENTERPRISE CAPE BRETON CORPORATION—*Continued*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 1989—*Continued*

(f) Pension plans

The majority of employees of the Corporation participated in the Public Service Superannuation Plan or private pension plans administered by the Cape Breton Development Corporation. As of March 30, 1989, all eligible employees participate only in the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the Plan are required equally from the employees and the Corporation. These contributions are expensed during the period in which the services are rendered and represent the total pension obligations of the Corporation.

3. Loans

An analysis of the loan balance outstanding at March 31, 1989, is as follows:

Annual interest rate	$
0 %	1,216,028
Less than 8 %	556,040
8 - 10 %	5,428,173
10 - 12 %	5,025,161
12 % and over	430,433
	12,655,835
Less: Allowance for doubtful loans (Note 4)	3,200,489
Allowance for forgivable loans	300,151
	9,155,195

Amounts due by fiscal year based on loan terms are as follows:

	$
Principal past due	596,254
1990	1,542,346
1991	1,089,916
1992	877,469
1993	706,910
1994	621,288
1995 and beyond	7,221,652
	12,655,835
Accrued interest—	
Current	466,542
Arrears	398,850
	865,392

4. Allowance for doubtful loans

	$
Balance at beginning of the period	2,871,498
Write-offs, nets of recoveries	(34,903)
Provision for doubtful loans—	
Current year lending	411,597
General provision	250,000
Reductions due to restructuring and reinstatements to accrual status	(297,703)
Balance at end of the period	3,200,489

The balance comprises 67 loans classified as doubtful.

5. Fixed assets

	$
Land for development	545,380
Equipment, furniture, leaseholds	726,045
Rental facilities	21,996,651
Tourist facilities	6,121,070
Agriculture and forestry facilities	1,734,612
	31,123,758
Less accumulated depreciation and amortization	11,135,264
	19,988,494

The categories of rental, tourist, and agriculture and forestry facilities shown above each include land, buildings and equipment.

6. Administrative expenses

	$
Salaries and employee benefits	336,361
Office and miscellaneous	137,436
Professional fees	61,536
Travelling expenses	44,441
	579,774

7. Guarantees

During 1976, the Industrial Development Division of the Cape Breton Development Corporation guaranteed the repayment by Sydney Steel Corporation of that corporation's $70,000,000 11 1/4% Series D Debentures and the repayment of interest thereon. These funds were borrowed by Sydney Steel Corporation for the purpose of financing its plant rehabilitation program. The balance of the outstanding debentures has since been reduced to $30,310,000.

During 1971, the Industrial Development Division of the Cape Breton Development Corporation guaranteed the repayment of bank advances to Stora Kopparbergs Bergslags Abtiebolag. This guarantee originally amounted to $30,000,000. The balance of advances has since been reduced to $4,636,982.

As successor to the Industrial Development Division of the Cape Breton Development Corporation, the Corporation assumed these guarantees, which were made for and on behalf of Her Majesty the Queen in right of Canada; therefore, any amounts required to be paid as a result of these guarantees shall be paid out of the Consolidated Revenue Fund of Canada.

8. Commitments

(a) As at March 31, 1989, the Corporation had outstanding commitments as follows:

	$
Contributions	2,456,603
Capital expenditures	53,904
Loans	82,968
	2,593,475

ENTERPRISE CAPE BRETON CORPORATION—*Concluded*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 1989—*Concluded*

(b) Future minimum payments by fiscal year on operating leases for premises, with initial non-cancellable lease terms in excess of one year, are as follows:

	$
1990	255,319
1991	255,319
1992	255,319
1993	41,832
1994	41,832
	849,621

9. Incomes taxes

The Corporation has not been prescribed as a taxable federal Crown corporation under the provisions of the Income Tax Act.

10. Comparative figures

The consolidated financial statements do not include comparative figures as this is the first period of operations of the Corporation. A comparative consolidated statement of operations for the four-month period of the Corporation and previous periods of the Industrial Development Division of the Cape Breton Development Corporation (CBDC/IDD) has been included in the attached schedule for information purposes only.

SCHEDULE TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 1989
(Comparative consolidated statements of operations (Note 10))

	ECBC March 31 1989 (4 months)	CBDC/IDD November 30 1988 (8 months)	ECBC and CBDC/IDD March 31 1989 (12 months)	CBDC March 31 1988 (12 months)
	$	$	$	$
Development expenses				
New business development programs	1,214,330	3,096,350	4,310,680	3,366,564
General development assistance	49,716	266,375	316,091	400,759
Provision for doubtful loans and interest	353,536	1,041,687	1,395,223	(114,409)
	1,617,582	4,404,412	6,021,994	3,652,914
Operating expenses of Corporate-owned facilities				
Rental facilities	505,433	1,520,880	2,026,313	1,481,276
Tourist facilities	128,754	820,309	949,063	1,390,776
Agriculture and forestry facilities	121,311	304,394	425,705	455,682
Depreciation and amortization	567,098	1,517,805	2,084,903	1,589,290
	1,322,596	4,163,388	5,485,984	4,917,024
Administrative expenses	579,774	1,216,969	1,796,743	1,682,101
Transition costs	286,015		286,015	
Total operating expenses	3,805,967	9,784,769	13,590,736	10,252,039
Income from Corporate-owned facilities				
Rental facilities	328,891	1,503,595	1,832,486	1,909,722
Tourist facilities	82,328	905,995	988,323	1,036,915
Agriculture and forestry facilities	21,710	23,839	45,549	32,285
	432,929	2,433,429	2,866,358	2,978,922
Interest income				
Loan interest	514,477	471,428	985,905	690,497
Other interest	91,501	160,272	251,773	246,664
Total operating income	1,038,907	3,065,129	4,104,036	3,916,083
Net operating expenses for the period	2,767,060	6,719,640	9,486,700	6,335,956

EXPORT DEVELOPMENT CORPORATION

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The financial statements contained in this annual report have been prepared by management in accordance with accounting principles generally accepted in Canada, consistently applied, which conform in all material respects with international accounting standards. The integrity and objectivity of the data in these financial statements are management's responsibility. The financial statements include some amounts, such as the allowance for losses on loans, that are necessarily based on management's best estimates and judgement.

In this report, the Auditor General of Canada has stated that in his opinion the value of sovereign loans receivable are significantly overstated because management's estimate for the allowance for losses on loans is significantly understated by at least $500 million, and therefore does not conform to generally accepted accounting principles. The basis for this qualification is that the Auditor General does not agree with the Corporation's policy as stated in Note 2 to the financial statements that, except in the rare instance of outright repudiation or the write-off of asset value agreed to by creditors, the ultimate collectibility of a sovereign obligation is not subject to question. The Board of Directors and management are in fundamental disagreement with the Auditor General's opinion.

During the year, the Corporation has recognized major changes in the accounting treatment of sovereign debt by the international financial community and increases both actual and prospective in its non-current loan portfolio. In view of this, management has made a substantial $200 million increase in the charge to income relating to the general allowance by transferring to the allowance for losses on loans the Reserve for Contingencies ($100 million), previously set aside for unforeseen circumstances, and from retained earnings ($100 million) representing the previous successes of the Corporation.

The general allowance of $375.9 million includes $324.8 million that management has prudently set aside to cover the potential costs of delays associated with the collection of sovereign non-current loans in the Corporation's portfolio and is unrelated to any specific loan principal. The Corporation's non-accrual of income policy with respect to non-current loans, together with provision expenses, has reduced revenue by $395.9 million in fiscal 1989 in response to repayment difficulties currently being experienced by many countries. These policies and resultant allowances described in Note 7 to the financial statements, when combined with the greatly improved quality of the committed but undisbursed loans receivable portfolio, have led the Board of Directors to conclude that the recovery estimates on sovereign risk loans are proper and that additional loan loss reserves at this time are neither necessary nor appropriate.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises this responsibility through the Audit Committee of the Board, which is composed of Directors who are not employees of the Corporation. The Audit Committee meets with management, the internal auditors and the Auditor General of Canada on a regular basis.

The Board of Directors is responsible for all business undertaken by the Corporation. Contracts which, in the opinion of the Board of Directors, involve risks for a term or an amount in excess of that which the Corporation would normally undertake, may be entered into under the authority of the Governor General in Council where the Minister considers them to be in the national interest. The Board of Directors is not accountable for such contracts, its obligation in relation thereto being limited to ensuring that they are administered in a sound manner. Funds required for such contracts are paid to the Corporation by Canada, and funds recovered are remitted to Canada, net of amounts withheld to cover related administrative expenses. The administration of accounts on behalf of Canada are shown in Note 16 to the Corporation's financial statements.

The Auditor General of Canada conducts an independent examination, in accordance with generally accepted auditing standards, and expresses his opinion on the financial statements. His report is presented on the following page.

R.L. Richardson
President and Chief Executive Officer

M.D.J. Bakker
Senior Vice-President Finance and Treasurer

EXPORT DEVELOPMENT CORPORATION—*Continued*

AUDITOR'S REPORT

TO THE MINISTER FOR INTERNATIONAL TRADE

I have examined the balance sheet of the Export Development Corporation as at December 31, 1989 and the statements of income and retained earnings and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards in Canada, conforming with International Auditing Guidelines, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

Loans principal receivable and accrued interest and fees of $5.530 billion include sovereign loans in the amount of $4.718 billion. Against the $5.530 billion loans receivable, the Corporation has recognized an allowance for losses on loans of $376 million. In my opinion, the net loans receivable of $5.154 billion is overstated because the allowance for losses on loans is significantly understated and, therefore, does not conform to generally accepted accounting principles. The basis for my reservation is that I do not agree with the Corporation's policy on the ultimate collectibility of sovereign loans receivable as stated in Note 2 to the financial statements. In my view, the allowance for losses on loans should include a reasonable estimate of losses on sovereign loans receivable. My analysis indicates that the allowance for losses on loans should be increased by at least $500 million. If a reasonable allowance for losses on loans had been established, the net loans receivable of $5.154 billion would have been reduced by at least $500 million, and the effect of recognizing the resulting losses would have resulted in retained earnings becoming a deficit of at least $492 million causing a significant impairment of shareholder's equity.

In my opinion, except for the overstatement of the value of loans receivable as described in the preceding paragraph, these financial statements present fairly the financial position of the Corporation as at December 31, 1989 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles in Canada, conforming with International Accounting Standards, applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with Part X of the Financial Administration Act and regulations, the Export Development Act and the by-laws of the Corporation.

In accordance with Section 132(2)(b) of the Financial Administration Act, I would like to call your attention to Section 14 of the Export Development Act which establishes a limit on the total amount of borrowing by the Corporation. The Act allows the Corporation to borrow up to a maximum of ten times the aggregate of its paid in capital from time to time and the retained earnings, if any, determined in accordance with the most recent statements of accounts of the Corporation for a financial year that have been audited by the Auditor General of Canada.

The Corporation and the Government have received legal opinions that the Corporation may, under its statutory borrowing limit, lawfully borrow up to ten times its paid in share capital, even if the Corporation were to have a deficit. In light of the circumstances described in the second paragraph above, Parliament may want to consider the continued appropriateness of the borrowing limit contained in Section 14 of the Export Development Act.

Kenneth M. Dye, F.C.A.
Auditor General of Canada

Ottawa, Canada
March 7, 1990

EXPORT DEVELOPMENT CORPORATION—*Continued*

BALANCE SHEET AS AT DECEMBER 31, 1989
(in thousands of dollars)

ASSETS	1989	1988
Loans receivable (Notes 3, 4, 5 and 6)		
Long-term	4,585,653	4,549,788
Current portion of long-term	812,391	795,367
	5,398,044	5,345,155
Accrued interest and fees	131,527	167,970
	5,529,571	5,513,125
Less: allowance for losses on loans (Note 7)	375,951	166,635
	5,153,620	5,346,490
Cash and marketable securities		
Cash and short-term deposits	1,175,647	985,913
Marketable securities (Market value: 1989—$182,768; 1988—$122,231)	176,670	121,838
Accrued interest	23,637	16,750
	1,375,954	1,124,501
Other assets		
Unamortized debt discount and issue expenses	22,336	30,183
Recoverable insurance claims (Note 11)	5,127	10,157
Other	9,753	11,122
	37,216	51,462
	6,566,790	6,522,453

LIABILITIES	1989	1988
Loans payable (Note 12)		
Long-term	2,649,095	2,882,223
Current portion of long-term	848,376	470,520
	3,497,471	3,352,743
Short-term	1,975,056	1,867,978
	5,472,527	5,220,721
Accrued interest	172,423	165,988
	5,644,950	5,386,709
Other liabilities and deferred revenues		
Accounts payable	24,204	28,266
Deferred revenues and other credits	144,142	159,241
Allowance for claims on insurance and guarantees (Note 10)	48,659	44,567
	217,005	232,074
SHAREHOLDER'S EQUITY		
Share capital (Note 13)	697,000	697,000
Reserve for contingencies		100,000
Retained earnings	7,835	106,670
	704,835	903,670
	6,566,790	6,522,453

Commitments and contingent liabilities (Notes 8 and 9)

Approved by the Board of Directors:

M. D. J. BAKKER
Chief Financial Officer

V. EDWARD DAUGHNEY
Director

R. L. RICHARDSON
Director

EXPORT DEVELOPMENT CORPORATION—*Continued*

STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 1989
(in thousands of dollars)

	1989	1988
Loans and guarantees		
Interest earned	479,012	481,829
Fees earned	34,394	24,641
Investment interest earned	80,042	82,493
	593,448	588,963
Interest expense		
Long-term	345,002	342,191
Short-term	162,355	141,198
Provision for losses on loans	271,275	81,926
	778,632	565,315
	(185,184)	23,648
Insurance and guarantees		
Premiums and fees earned	25,543	23,527
Investment interest earned	10,871	6,604
	36,414	30,131
Provision for claims	12,115	12,721
	24,299	17,410
(Loss) income from operations	(160,885)	41,058
Administrative expenses	37,950	36,832
Net (loss) income	(198,835)	4,226
Retained earnings		
Beginning of year	106,670	102,444
Add: transfer from reserve for contingencies	100,000	
End of year	7,835	106,670

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1989
(in thousands of dollars)

	1989	1988
Operations		
Statement of income		
Net (loss) income	(198,835)	4,226
Items not affecting cash		
Provision for losses on loans	271,275	81,926
Provision for claims	12,115	12,721
Decrease in accruals of interest and fees	36,321	17,184
Other changes	13,450	15,873
	134,326	131,930
Assets and liabilities		
Loans receivable disbursed	(853,641)	(582,311)
Loans receivable repaid	760,610	707,200
Items not affecting cash		
Net decrease in deferred revenue	(13,746)	(2,250)
Interest rescheduled	(68,452)	(54,336)
Loan interest written off	(57,475)	(65,455)
	(232,704)	2,848
Cash (used in) provided from operations	(98,378)	134,778
Treasury		
Issue of long-term debt	741,605	738,445
Repayment of long-term debt	(523,777)	(1,022,593)
Increase in short-term loans	152,315	307,574
Cash provided from financing	370,143	23,426
Increase in cash and marketable securities	271,765	158,204
Foreign exchange on opening balance of cash	(27,199)	(89,122)
Cash and marketable securities		
Beginning of year	1,107,751	1,038,669
End of year	1,352,317	1,107,751

EXPORT DEVELOPMENT CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1989

1. Act of incorporation and corporate mandate

Export Development Corporation was established on October 1, 1969 by the Export Development Act (The Act), a statute of the Parliament of Canada. The Corporation was created as an agent of Her Majesty in right of Canada for the purpose of facilitating and developing trade between Canada and other countries, by the provision of loans, guarantees and insurance. The Corporation is accountable for its affairs to Parliament through the Minister for International Trade.

2. Summary of significant accounting policies

These financial statements are prepared in accordance with accounting principles generally accepted in Canada, consistently applied, and conform in all material respects with international accounting standards. A summary of significant accounting policies follows:

Loans receivable

Loans receivable, mainly to sovereign entities, are stated in the Canadian dollar equivalent of the original amounts disbursed less repayments and includes where applicable interest capitalized as part of the rescheduling or restructuring process of loans with payment difficulties.

As an export credit agency of Her Majesty in right of Canada, the Corporation benefits from Canada's membership in the Paris Club, an international group, formed to deal on a multilateral basis with payment difficulties experienced by sovereign entities. Through the auspices of this Club and with subsequent negotiation, rescheduling agreements are arranged coupled with the implementation of International Monetary Fund disciplines to alleviate these payment problems. This negotiation process normally takes up to one year and is considered by the Corporation as part of its normal collection routine.

It is management's opinion, based on the Corporation's experience, that except in the rare instance of outright repudiation or the write-off of asset value agreed to by creditors the ultimate collectibility of a sovereign obligation is not subject to question although indefinite delays in repayment of principal and interest may have to be accepted. This opinion is also shared by the Government of Canada as stated in its accounting policies in the Public Accounts. Although it is not possible at this time for management to accurately determine the amount, if any, of the financial impact of these uncertainties and delays, the Corporation in order to be prudent has established policies with respect to non-current sovereign loans and a general allowance for any financial impact from these loans.

Loan interest and fees earned

In 1989, the Corporation changed its accounting policy regarding interest revenue recognition. Interest is accrued on principal receivable until such time as the loan becomes non-performing. Non-performing is defined as any loan where significant payments have not been received for a period of one hundred and eighty days. Prior period financial statements were not restated as the effect is immaterial.

Loan fees are taken into income over the disbursement and repayment periods of a loan.

Non-current loans receivable

Subsequent to a review of the payment history and an assessment of the collectibility of the loans, the Corporation may deem certain loans non-current. Non-current is defined as any loan where there is significant doubt as to collectibility in the short to medium term, where significant payments have not been received for a period of one year after a rescheduling agreement has been signed, or two years where rescheduling measures have not been undertaken. As a result, the Corporation terminates all interest accruals on these loans and reverses previously accrued interest over a period of up to twelve months following the loan becoming non-current. As well the capitalization of interest in future rescheduling agreements is not recognized for accounting purposes.

Non-current loans are restored to an accrual basis when regular repayment patterns of all or substantially all amounts due have been established, which is usually over a one to two year time period and normally after a rescheduling agreement has been signed, and there is reasonable assurance that the repayment pattern will continue in future years.

In addition to not recognizing interest on these loans, in most cases any undisbursed balances on signed loan agreements are cancelled or frozen, and sovereign borrowers are declared ineligible for further financing to prevent any increased exposure resulting from new business.

Specific allowance for losses on commercial loans receivable

The allowance for losses on loans is based on a review of collectibility, at least annually, of all loans to commercial borrowers. As the result of this review, the Corporation charges to income an amount sufficient to specifically provide for potential losses on commercial loans receivable portfolio to reflect the impairment of the related commercial loan assets.

General allowance for losses on loans receivable

In addition to specific allowances for losses on commercial loans, the Corporation prudently sets aside a general allowance on the loans receivable portfolio for which no specific provision has been made. In 1989, this allowance was supplemented through application of the amount of reserve for contingencies and retained earnings by an additional $200 million based on management's perception of changed circumstances in the world and the significant increase in the Corporation's non-current loans.

The major circumstances affecting management's perception include the major changes in the international financial community in the accounting treatment of sovereign debt, the initial impact on commercial banks and debtor countries of the Brady Plan initiatives, the decisions by some Paris Club participating governments to offer a variety of options for reducing the debt burden of the poorest nations and the changes in the Corporation's non-current sovereign loan portfolio where the actual increases incurred in 1989 and prospective increase for 1990 greatly exceed the marginal increases for the preceding two years.

This general allowance reflects the amount that management has prudently set aside to cover the potential costs of delays associated with the ultimate collection of sovereign non-current loans in EDC's portfolio, it is unrelated to any specific loan principal and is non-specific in terms of amount to any specific event mentioned above.

EXPORT DEVELOPMENT CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1989—*Continued*

Reserve for contingencies

The Corporation had established, through transfers from retained earnings, a reserve for contingencies with respect to possible unforeseen decreases in the value of loans receivable or claims on insurance and guarantees. In 1989 the reserve for contingencies was credited back to retained earnings.

Non-accrued interest on non-current loans receivable

The cumulative amount of non-accrued interest and non-recognized capitalized interest has the effect over time of increasing the amounts legally due to the Corporation. This is recognized in the ongoing collection process and the rescheduling negotiations. It is management's best estimate that this accounting approach is the most appropriate and provides the Corporation with additional off balance sheet allowances.

Marketable securities

Marketable securities are valued at the lower of cost and market value as at the balance sheet date.

Recoverable claims

Claims payments are recorded at estimated recoverable values. Non-recoverable amounts are charged to the appropriate allowance for claims on insurance and guarantees. Subsequent net gains or losses on recovery are credited or charged to the allowance.

Allowance for claims on insurance and guarantees

The Corporation provides for claims based on claims experience augmented, if necessary, by a specific provision based on a review of contingent liabilities.

Investment interest earned

Investment interest, which is substantially earned outside Canada, is prorated between loans and guarantees and insurance and guarantees on the basis of average funds invested.

Interest expense

Interest expense includes hedging expenses, and the amortization of debt discount and issue expenses which are charged to income over the life of the debt on a straight line basis.

Insurance premiums

Insurance premiums and fees are earned in Canada. For short-term insurance policies, premiums are taken into income at the commencement of coverage. Premiums on other export insurance policies are taken into income using methods which generally reflect the exposures over the terms of the policies.

Translation of foreign currency

The Corporation hedges its U.S. dollar assets and liabilities on a total portfolio basis. Any net exposure to future changes in the U.S. dollar foreign exchange rate is due to short-term timing differences in cash flows. It is the Corporation's policy to manage assets and liabilities denominated in U.S. dollars in such a way as to minimize this net exposure. Accordingly, assets and liabilities denominated in U.S. dollars are translated into Canadian dollars at exchange rates prevailing at year-end.

Income and expenses are translated at average monthly exchange rates in effect during the year. Exchange gains and losses resulting from the translation of foreign currency balances and transactions are reported with investment interest earned.

3. Loans receivable

Current (which includes performing and non-performing) and non-current loans receivable from both sovereign and commercial borrowers are mostly at fixed interest rates established in competition with similar export credit agencies in other countries and generally below commercial rates. These loans are as follows:

	December 31	
	1989	1988
	(in thousands of dollars)	
Non-current	1,019,841	692,468
Within 12 months		
—Fixed	575,597	540,195
—Floating	172,333	108,174
Overdue	64,461	146,998
1990		688,819
1991	661,668	630,588
1992	566,677	572,785
1993	473,580	445,808
1994	435,324	407,383
1995 and thereafter	1,428,563	1,111,937
Total	5,398,044	5,345,155
Commercial loans included above	680,633	684,279
Floating rate loans, generally based on LIBOR rates, included in total loans	1,563,607	1,276,692
The geographic distribution of these loans is as follows:		
Pacific and North Asia	535,942	562,986
South Asia	460,797	372,815
Middle East and East Africa	376,596	397,349
North and West Africa	1,246,005	1,119,639
Eastern Europe	415,387	641,320
Western Europe	454,950	479,018
USA and Caribbean	486,924	455,453
Mexico and Central America	324,606	297,716
South America East	548,536	467,561
South America West	548,301	551,298
Total	5,398,044	5,345,155

4. Overdues on current loans receivable

Amounts overdue consist of principal instalments and billed interest and fees that have not been received in accordance with the specified terms contained in the related loan agreements.

The geographic distribution of the overdue principal and recognized interest, in the amounts of $64,461 thousand (1988—$146,998 thousand) and $27,006 thousand (1988—$62,612 thousand) respectively, is as follows:

	December 31	
	1989	1988
	(in thousands of dollars)	
Pacific and North Asia	97	2,283
South Asia	14	
Middle East and East Africa	67,736	22,927
North and West Africa	14,434	29,178
Eastern Europe	1	7
Western Europe	898	5,388
USA and Caribbean	1,028	16,469
Mexico and Central America	679	2,748
South America East	2,048	124,811
South America West	4,532	5,799
Total	91,467	209,610

EXPORT DEVELOPMENT CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1989—*Continued*

5. Rescheduled and restructured amounts on current loans receivable

Rescheduled and restructured amounts during the year are as follows:

	December 31	
	1989	1988
	(in thousands of dollars)	
Principal	172,855	108,175
Interest	40,758	50,095
Total	213,613	158,270

The geographic distribution of rescheduled and restructured current loans receivable is as follows:

	December 31	
	1989	1988
	(in thousands of dollars)	
Pacific and North Asia	22,102	15,796
South Asia		
Middle East and East Africa	82,328	83,585
North and West Africa	95,881	143,094
Eastern Europe		
Western Europe	60,490	64,972
USA and Caribbean	65,567	37,830
Mexico and Central America	90,178	69,335
South America East	168,889	167,329
South America West	22,867	19,773
Total	608,302	601,714
Commercial amounts included above	32,852	38,614
Amounts overdue	8,501	15,765

6. Non-current loans receivable

Due to the weakening of economic conditions over time, certain loans where there is risk of long repayment delays or, in respect of commercial loans, significant doubt as to collectibility are placed in the non-current category. Non-current amounts receivable are as follows:

	December 31	
	1989	1988
	(in thousands of dollars)	
Sovereign, mainly in South America, Eastern Europe and North and West Africa	936,904	593,208
Commercial, mainly in the USA	82,937	99,260
Total	1,019,841	692,468

In addition, at December 31, 1989, the accumulated interest not recognized on non-current loans amounted to $451,093 thousand (1988—$341,122 thousand) of which $430,257 thousand related to sovereign loans (1988—$286,063 thousand). Total interest on non-current loans not recognized as revenue in 1989 amounted to $124,681 thousand (1988—$89,438 thousand).

7. Allowances for losses on loans

Allowances for losses are as follows:

	December 31	
	1989	1988
	(in thousands of dollars)	
Balance sheet allowances		
General allowance	324,872	107,819
Specific allowance	51,079	58,816
Total	375,951	166,635
Off balance sheet allowance		
Non-accrued interest revenue	462,064	341,122

Allowances were increased by $395,956 thousand (1988—$171,364 thousand) in the year of which $271,275 thousand (1988—$81,926 thousand) was charged through the income statement.

The $124,681 thousand (1988—$89,438 thousand) of non-current interest revenue in the year was augmented by $57,475 thousand (1988—$65,455 thousand) of written-off interest accrued on non-current and non-performing loans during the qualification periods. In accordance with Corporate accounting policies, this write-off was charged against the general allowance.

Other decreases in the allowances and accumulated non-accrued revenue of $4,484 thousand and $61,214 thousand (1988—$12,971 thousand and $19,468 thousand) were due mainly to foreign exchange, payments received and restructuring adjustments.

8. Loans—Statutory limits and commitments

The Act allows the Corporation to have outstanding loans and commitments to foreign borrowers up to a maximum of $15 billion. The position against this limit, determined in accordance with the requirements of the Act, is $7,652 million (1988—$7,337 million). Of this amount, undisbursed commitments on signed loan agreements are $2,195 million (1988—$1,933 million) with the balance representing loans receivable and loans with recourse to the Corporation.

The Corporation expects to fund these undisbursed commitments near the time of their disbursement, typically over a three year period, by issuing a combination of debt instruments in world capital markets at commercial rates of interest and capital stock. The Corporation generally attempts to match maturities and currencies with those of its average export loans.

EXPORT DEVELOPMENT CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1989—*Continued*

9. Insurance—Statutory limits and contingent liabilities

The Act specifies that the Corporation can incur liabilities under contracts of insurance, related guarantees and guarantees pertaining to the lending program up to a maximum of $15 billion. The position against this limit, determined in accordance with the requirements of the Act, is $4,383 million (1988—$3,431 million).

Contingent liabilities with respect to insurance and related guarantees of the Corporation included in the above positions are as follows:

	December 31	
	1989	1988
	(in thousands of dollars)	
Pacific and North Asia	488,828	318,668
South Asia	296,644	216,219
Middle East and East Africa	160,550	174,381
North and West Africa	434,445	293,556
Eastern Europe	87,145	44,326
Western Europe	440,415	501,665
North America and Caribbean	602,155	613,485
Mexico and Central America	477,664	338,349
South America East	152,173	123,410
South America West	75,807	68,313
Total	3,215,826	2,692,372

10. Insurance and guarantees—Allowance for claims

The experience under short and medium term programmes is as follows:

	December 31	
	1989	1988
	(in thousands of dollars)	
Allowance at beginning of year	44,567	35,369
Provision during the year	12,115	12,721
Net write-offs	(8,023)	(3,523)
Allowance, end of year	48,659	44,567

11. Recoverable insurance claims

Activity for the year is as follows:

	December 31	
	1989	1988
	(in thousands of dollars)	
Recoverable claims at beginning of year	10,157	8,867
Claims paid	19,793	26,968
Claims recovered	(16,231)	(21,529)
Net write-downs	(8,592)	(4,149)
Recoverable claims, end of year	5,127	10,157

12. Loans payable

The Act allows the Corporation to borrow up to a maximum of ten times the aggregate of its paid in capital from time to time and the retained earnings, if any, determined in accordance with the most recent Audited Financial Statements. As at December 31, 1989 and based on 1988 Audited Financial Statements, this formula produced a limit of at least $6,970 million (1988—$7,994 million) against which borrowings amounted to $5,473 million (1988—$5,221 million).

Loans payable mature as follows:

	December 31	
	1989	1988
	(in thousands of dollars)	
Within 12 months		
—Fixed	674,263	518,221
—Floating	2,149,169	1,820,277
1990		773,517
1991	499,071	540,142
1992	725,887	633,222
1993	226,227	229,797
1994	74,561	76,600
1995 and therafter	1,123,349	628,945
Total	5,472,527	5,220,721
Commercial loans included above at fixed rates	2,610,061	2,645,172
Floating rate and short-term fixed rate revolving loans	2,862,466	2,575,549

The Corporation also had lines of credit and overdraft facilities aggregating $2,572 million at December 31, 1989 (1988—$2,618 million).

13. Share capital

The authorized share capital is $1.5 billion consisting of 15 million shares with a par value of $100 each. The number of shares issued and fully paid is 6,970 thousand (1988—6,970 thousand).

14. Foreign currency balances

The Corporation has substantial assets and liabilities in U.S. dollars and in other currencies. The Canadian dollar equivalent after taking into consideration forward exchange contracts is as follows:

	December 31	
	1989	1988
	(in thousands of dollars)	
U.S. dollars		
Assets	4,826,158	4,634,279
Liabilities	4,825,916	4,680,168
Net exposure	242	(45,889)
Rate of exchange U.S. $1.00	1.1585	1.1925
Austrian schillings, British pounds, Deutsche marks, European currency units, French francs, Swiss francs and Yen		
Assets	396,499	228,003
Liabilities	368,130	188,697
Net exposure	28,369	39,306

EXPORT DEVELOPMENT CORPORATION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1989—*Concluded*

15. Related party transactions

Transactions with Canada are summarized as follows:

	December 31	
	1989	1988
	(in thousands of dollars)	
Income and expense items		
Administrative expenses recovered	6,956	6,923
Interest earned	402	470
Less: interest expense		1,648
Total due to the Corporation	7,358	5,745

Amounts due to (due from) Canada

	December 31	
	1989	1988
	(in thousands of dollars)	
Canada bonds and Canadian Crown Corporation bonds	(9,844)	(5,028)
Accrued interest receivable	(58)	(22)
Accounts administered for Canada	19,628	21,209
Total	9,726	16,159

The Government of Canada has established an understanding that it may seek Parliamentary appropriations to eliminate any losses the Corporation might incur.

The Corporation is not subject to the requirements of the Income Tax Act with respect to its earnings.

The Corporation also enters into transactions with other Crown corporations in the normal course of business.

16. Accounts administered for Canada

(a) Pursuant to the Act, the Corporation administers for Canada certain loans and insurance programs entered into under the authority of the Governor in Council for which the Board of Directors is not accountable other than in respect of the administration of the contracts. These accounts (commonly known as Canada Account(s)) are maintained separately from the Corporation's accounts, and are consolidated annually as at March 31 with the financial statements of the Government of Canada which are reported upon separately by the Auditor General of Canada. The assets administered for Canada, mainly loans receivable and accrued interest and fees recorded in accordance with accounting policies and practices approved by the Government of Canada, amounted to $1,027 million (1988—$926 million).

(b) Canada account statutory limits, commitments and contingent liabilities

The Act allows the Accounts administered for Canada to have outstanding loans and commitments to foreign borrowers up to a maximum of $6 billion. The position against this limit, determined in accordance with the requirements of the Act, is $1,375 million (1988—$1,201 million).

The Act also specifies that the Accounts administered for Canada can incur liabilities under contracts of insurance, related guarantees and guarantees pertaining to the lending program up to a maximum of $7 billion. The position against this limit, determined in accordance with the requirements of the Act, is $62 million (1988—$321 million). Contingent liabilities of the Accounts Administered for Canada included in the above positions amounted to $58 million (1988—$298 million).

FARM CREDIT CORPORATION

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying financial statements of Farm Credit Corporation and all information in this annual report are the responsibility of management and have been approved by the Board of Directors. The financial statements include some amounts, such as the allowance for loan losses and the valuation of real estate acquired in settlement of loans, that are necessarily based on management's estimates and judgement.

The financial statements have been prepared in accordance with accounting principles which are generally accepted in Canada and which have been consistently applied. Financial information presented elsewhere in the annual report is consistent with that contained in the financial statements.

The approach followed by the Corporation to estimate the allowance for loan losses, on a consistent basis with past years, includes a specific review of undersecured loans and a general estimate of probable losses inherent in the secured portion of the portfolio.

As a result of loans going through the recovery process the amount of the allowance attributable to specific individual loans has declined from the March 31, 1989 level. The increased uncertainty facing Canadian agriculture at this time, and its potential negative impact on farmers' ability to repay and the value of the Corporation's security has, in management's judgement, necessitated an increase in the general component of the allowance by $90 million. The general allowance is prudential in nature, and provides for loan losses which have not been specifically identified.

Other than an amount of $3.2 million, which was charged to operations to provide for probable loan losses on current year lending, no amount has been charged to or credited to operations with regard to the allowance for loan losses. The Board of Directors supports management's opinion that, in an environment of high interest rates, low export prices, forecasts of reduced farm incomes, particularly in the grain sector, and the uncertainty surrounding the current GATT negotiations, it would be imprudent to further reduce the allowance at this time.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are authorized, assets are safeguarded and proper records are maintained. The system of internal control is augmented by internal audit which conducts periodic reviews of different aspects of the Corporation's operations. In addition, the internal and external auditors have full and free access to the Audit Committee of the Board, which oversees management's responsibilities for maintaining adequate control systems and the quality of financial reporting.

The independent auditor, the Auditor General of Canada, is responsible for auditing the financial statements and for issuing his report thereon.

James J. Hewitt
Chairman and Chief Executive Officer

Max Pierce
Senior Vice-President
Finance

AUDITOR'S REPORT

TO THE MINISTER OF AGRICULTURE

I have examined the balance sheet of Farm Credit Corporation as at March 31, 1990 and the statements of operations and deficit and changes in cash position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances, except as explained in the following paragraph.

Loans of $3,573 million are stated net of an allowance for loan losses of $279 million. Although the Corporation has provided me with evidence and analyses in support of the inclusion of $188 million in the allowance, it was unable to provide adequate support for the balance of $91 million. As a consequence, I was unable to satisfy myself as to the appropriateness of this additional amount. Accordingly, I was unable to determine whether any adjustments might be necessary to the allowance for loan losses and consequentially to the change in estimate-provision for loan losses, the net income (loss) for the year and the deficit.

In my opinion, except for the effect of adjustments, if any, which I might have determined to be necessary had I been able to satisfy myself with respect to the appropriateness of the additional $91 million in the allowance for loan losses described in the preceding paragraph, these financial statements present fairly the financial position of the Corporation as at March 31, 1990 and the results of its operations and the changes in its cash position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with Part X of the Financial Administration Act and regulations, the Farm Credit Act and the by-laws of the Corporation.

Kenneth M. Dye, F.C.A.
Auditor General of Canada

Ottawa, Canada
June 7, 1990

FARM CREDIT CORPORATION—*Continued*

BALANCE SHEET AS AT MARCH 31, 1990
(in thousands of dollars)

ASSETS	1990	1989
Cash and short-term investments	48,104	40,894
Accounts receivable	2,277	4,720
Loans, net of allowance for loan losses of $279,365 (1989—$350,000) (Notes 3 and 4)	3,573,414	3,832,351
Real estate acquired in settlement of loans (Note 5)	178,281	135,642
Fixed assets	5,113	3,793
Unamortized debt discount and issue expenses	9,530	14,319
	3,816,719	4,031,719

LIABILITIES	1990	1989
Accounts payable and accrued liabilities	16,466	6,549
Short-term notes	110,456	69,269
Provision for employee termination benefits	3,154	2,807
Loans payable (Note 6)	3,760,523	4,624,285
	3,890,599	4,702,910
DEFICIENCY OF CANADA		
Contributed capital (Note 8)	818,333	218,333
Deficit	(892,213)	(889,524)
	(73,880)	(671,191)
	3,816,719	4,031,719

The accompanying notes are an integral part of the financial statements.

Approved on behalf of the Board by:

JAMES J. HEWITT
Chairman and Chief Executive Officer

GEORGE KLOSLER
Director

STATEMENT OF OPERATIONS AND DEFICIT
FOR THE YEAR ENDED MARCH 31, 1990
(in thousands of dollars)

	1990	1989
Interest income		
Loans receivable	386,347	389,410
Short-term investments	13,801	5,581
	400,148	394,991
Interest expense		
Loans payable	356,545	410,972
Short-term notes	13,305	11,840
	369,850	422,812
Net interest income (expense)	30,298	(27,821)
Provision for loan losses—Current year lending (Note 4)	(3,202)	(2,203)
Lease and other revenue from real estate, net of operating expenses of $5,496 (1989—$5,653)	20,779	11,157
Other income	1,763	1,377
Income (loss) before non-interest expenses	49,638	(17,490)
Administrative expenses	47,337	39,444
Income taxes—Large corporations capital tax (Note 9)	4,990	
Loss from current year's operations	(2,689)	(56,934)
Change in estimate—Provision for loan losses		22,372
Loss for the year	(2,689)	(34,562)
Deficit at beginning of the year	889,524	854,962
Deficit at end of the year	892,213	889,524

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CHANGES IN CASH POSITION
FOR THE YEAR ENDED MARCH 31, 1990
(in thousands of dollars)

	1990	1989
Operating activities		
Loss for the year	(2,689)	(34,562)
Items not involving cash		
Net provision for loan losses	3,202	(20,169)
Change in accrued interest receivable	4,285	19,185
Change in accrued interest payable	(9,100)	(14,736)
Amortization of debt discount and issue expenses	4,789	5,148
Provision for income taxes	4,990	
Other	7,700	(3,012)
Cash provided by (used in) operating activities	13,177	(48,146)
Investing activities		
Loans to farmers	(185,338)	(107,958)
Loans receivable repaid	313,409	330,232
Proceeds from disposal of real estate	75,748	78,551
Other	3,689	(1,546)
Cash provided by (used in) investing activities	207,508	299,279
Financing activities		
Loans from Canada	256,550	130,350
Loans repaid to Canada	(998,669)	(246,896)
Loans repaid to capital markets	(112,543)	
Increase in contributed capital	600,000	
Change in short-term notes	41,187	(112,674)
Cash provided by (used in) financing activities	(213,475)	(229,220)
Increase in cash and short-term investments	7,210	21,913
Cash and short-term investments at beginning of the year	40,894	18,981
Cash and short-term investments at end of the year	48,104	40,894

The accompanying notes are an integral part of the financial statements.

FARM CREDIT CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1990

1. The Corporation

(a) Authority and objectives

Farm Credit Corporation ("the Corporation") was established in 1959 by the Farm Credit Act as the successor to the Canadian Farm Loan Board and is an agent Crown corporation named in Part I of Schedule III to the Financial Administration Act. The Corporation makes and administers farm loans under the authority of the Farm Credit Act and the Farm Syndicates Credit Act, and administers programs as requested by the Government of Canada ("the government").

The Corporation's objective, as clarified in the Corporate Plan approved in 1988, is to provide mortgage credit and complementary financial services to Canadian farmers on a break-even basis and, when called upon by the government, to deliver specific government programs on a cost-recovery basis.

(b) Financial restructuring

The government has approved a financial restructuring for the Corporation which covers a four-year period ending March 31, 1992. It provides for the financial restructuring of the Corporation and establishes operating policies and management guidelines within which the Corporation is to operate.

2. Significant accounting policies

(a) Revenue recognition

Interest income is recorded on the accrual basis until such time as management determines that a loan should be classified as non-accrual. A loan is classified as non-accrual when:

Principal or interest is six months past due, unless the loan is well secured, or

When circumstances indicate doubt as to the ultimate collectibility of principal or interest.

When a loan is classified as non-accrual, uncollected interest recognized in the year is reversed against interest income and, where necessary, uncollected interest recognized in previous years is provided for in the allowance for loan losses.

Interest payments on non-accrual loans are recorded as interest income when received, where it has been determined that the loan does not require a specific provision for loss; otherwise, they are credited to principal.

Non-accrual loans return to accrual status when, in management's opinion, the ultimate collection of principal and interest is reasonably assured.

Lease and other revenues from real estate are recorded when earned.

Loan fees and charges are recorded as other income when earned.

(b) Allowance for loan losses

The allowance for loan losses represents management's best estimate of probable losses on the loans outstanding at the end of the year. The allowance has a specific component which is based on the review of outstanding undersecured loans and a general component, which is prudential in nature, to provide for loan losses which have not yet been specifically identified.

The allowance is based on a periodic evaluation of the loan portfolio in which numerous factors are considered including future land values, commodity prices, federal and provincial governments' programs, and climatic conditions. Management has estimated the effect of these risks and uncertainties when determining the allowance for loan losses. However, future agricultural and economic conditions are not predictable with certainty and, therefore, actual loan losses may vary from management's estimate.

The government has agreed to reimbusre the Corporation for concessions it will make to farmers during the next year as a result of its participation in the Farm Debt Review Board process. The type of concessions to be made through the process, and the extent to which they will reduce the Corporation's loan losses, are not presently known. They are, therefore, not included in establishing the allowance for loan losses.

Actual loan losses, write-downs of acquired real estate, and losses on the sale of real estate are charged to the allowance while recoveries are credited to the allowance. Adjustments of the allowance to the level regarded by management as being appropriate are applied to operations.

(c) Real estate acquired in settlement of loans

Real estate is recorded at the lower of the amount of the loan outstanding or the estimated net realizable value at the time of acquisition. Subsequent declines in estimated net realizable value are recorded in the year in which they occur.

(d) Farm debt review process

Amounts received on behalf of farmers for concessions granted by the Corporation under the farm debt review process are applied as if they had been received directly from the farmers.

(e) Fixed assets

Fixed assets are recorded at cost less accumulated depreciation or amortization. Depreciation and amortization are provided over the estimated useful lives of the fixed assets according to the following methods and rates:

	Methods	Rates
Equipment and furniture	Declining balance	20%
Computer equipment and software	Straight-line	20%
Leasehold improvements	Straight-line	Lease term plus the first renewal option

(f) Debt discount and issue expenses

Debt discount and issue expenses are amortized on a straight-line basis over the life of the debt and are included in interest expense on loans payable.

(g) Translation of foreign currencies

Loans and related interest payable in foreign currencies are hedged by currency conversion agreements and are translated into Canadian dollars at the rates provided therein. The differences between the ultimate amounts payable at the contracted rates and the cash proceeds of the debt issues are included with debt discount and issue expenses. These amounts are amortized on a straight-line basis and are charged to interest expense over the lives of the obligations.

FARM CREDIT CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1990—*Continued*

(h) Pension plan

Employees participate in the Public Service Superannuation Plan administered by the Government of Canada. The Corporation's contributions to the plan are limited to matching the employees' contributions for current service. These contributions are expensed during the year in which the services are rendered and represent the total pension obligations of the Corporation.

(i) Employee termination benefits

On termination of employment, employees are entitled to benefits provided for under their terms of employment. The liability for these benefits is recorded as the benefits accrue to the employees.

(j) Income taxes

The Corporation follows the tax allocation method of providing for income taxes. The cumulative differences between tax calculated on such a basis and taxes currently payable are essentially timing differences and result in deferred income taxes. The Corporation has deferred tax benefits which have not been recorded and will only be recognized when there is virtual certainty that they will be realized.

3. Loans

	Annual interest rate	1990	1989
	%	(in thousands of dollars)	
Loans to farmers, secured by mortgages	5-16 3/4	3,808,429	4,137,681
Loans to farm syndicates, secured by notes	6 1/4-16 1/2	5,400	4,858
Loans receivable from real estate sales, secured by agreements for sale or mortgages	5-15 3/4	38,950	39,812
		3,852,779	4,182,351
Less: allowance for loan losses		279,365	350,000
		3,573,414	3,832,351

	1990	1989
Amounts due by fiscal year, based on loan terms, are as follows:		
Principal past due	48,640	55,550
1990		425,767
1991	236,661	252,293
1992	294,419	294,685
1993	294,176	290,456
1994	422,187	456,964
1995	377,520	335,925
1996 and beyond	1,995,748	1,836,342
	3,669,351	3,947,982
Accrued interest—Current	113,245	78,815
—Arrears	70,183	155,554
	3,852,779	4,182,351

At March 31, 1990, the Corporation had 5,495 loans representing $642 million of loans receivable classified as non-accrual (1989—7,040 representing $808 million). During the year, interest not recognized on non-accrual loans amounted to $31 million (1989—$75 million). The accumulated interest not recognized on non-accrual loans outstanding at March 31, 1990 amounted to $122 million (1989—$171 million).

4. Allowance for loan losses

The summary is as follows:

	1990	1989
	(in thousands of dollars)	
Balance at beginning of the year	350,000	500,000
Write-offs, net of recoveries	(73,837)	(129,831)
Provision for loan losses—Current year lending	3,202	2,203
Change in estimate—Provision for loan losses		(22,372)
Balance at end of the year	279,365	350,000
Specific allowance	124,365	285,000
General allowance	155,000	65,000
Balance at end of the year	279,365	350,000

5. Real estate acquired in settlement of loans

The summary is as follows:

	1990	1989
	(in thousands of dollars)	
Balance at beginning of the year	135,642	66,204
Acquisitions	118,205	138,299
Disposals	(75,566)	(68,861)
Balance at end of the year	178,281	135,642

Real estate represents farm property acquired in the process of administering loans receivable and must be disposed of within five years of acquisition or such further period as the Governor-in-Council may prescribe.

The Corporation has 1,864 properties (1989—1,485), of which 1,010 ($76 million) are saleable within the next year. Of these, 650 properties ($67 million) may be eligible for lease renewal. The balance are leased for periods of up to four years.

FARM CREDIT CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1990—*Continued*

6. Loans payable

As part of the financial restructuring, $600 million of loans from Canada was repaid during the year from the increase in contributed capital. The government decided that no interest would be payable on these loans throughout the year.

	Annual interest rate	1990	1989
	%	(in thousands of dollars)	
Loans from Canada, secured by notes			
Farm Credit Act	6-12	2,442,104	3,182,998
Farm Syndicates Credit Act	9 1/4-11	3,736	4,962
Loans from capital markets, secured by notes			
Farm Credit Act			
Payable in :			
U.S dollars (435,000,000)	9-10 1/2	591,447	591,447
Swiss Francs (100,000,000) ..	11	59,666	59,666
Japanese Yen (7,660,000,000)	9 1/4	69,500	182,043
Canadian dollars	9-12 1/4	495,000	495,000
		3,661,453	4,516,116
Accrued interest		99,070	108,169
		3,760,523	4,624,285
Amounts due by fiscal year are as follows:			
1990			1,030,087
1991		506,854	470,392
1992		423,305	416,218
1993		446,037	640,663
1994		543,069	528,868
1995		372,948	302,126
1996 and beyond		1,369,240	1,127,762
		3,661,453	4,516,116
Accrued interest		99,070	108,169
		3,760,523	4,624,285

7. Limits on borrowing

The Farm Credit Act limits the aggregate amount outstanding of the principal borrowings by the Corporation pursuant to the Act to twenty-five times the contributed capital of the Corporation. At March 31, 1990, the Corporation's outstanding borrowings under this Act, comprising short-term notes of $103 million and loans payable of $3,658 million, were 4.60 times the contributed capital of $818 million (1989—20.95 times the contributed capital of $218 million).

The Farm Syndicates Credit Act limits the loans from Canada pursuant to the Act to $25 million. At March 31, 1990, the Corporation's loans from Canada under this Act were $4 million (1989—$5 million).

The Corporation continued to be restricted to borrowing its short- and long-term funding requirements from the government's Consolidated Revenue Fund. These borrowings require the approvals of both the Governor-in-Council and the Minister of Finance.

8. Contributed capital

The contributed capital of the Corporation represents the amount received from Canada under section 12 of the Farm Credit Act. The statutory limit was increased by $600 million in the current year to $825 million (1989—$225 million).

As part of the financial restructuring, Canada increased its contributed capital by $600 million. The Corporation has applied these amounts to the repayment of loans from Canada.

9. Income taxes

(a) Timing differences of approximately $392 million are available to the Corporation as at March 31, 1990. These have not been recognized in the accounts since they will not be used in the foreseeable future. They result primarily from differences between the provision for loan losses charged to operations and the amount claimed for income tax purposes.

In addition, the loss carryforward for income tax purposes which has not been recognized in the financial statements amounts to $438 million. Of this amount, $8 million will expire on March 31, 1993, $14 million on March 31, 1994, $118 million on March 31, 1995, $194 million on March 31, 1996 and $104 million on March 31, 1997.

(b) During the year, the government announced its intention to implement a large corporations capital tax. As at March 31, 1990 the required legislation had not been approved by Parliament. This tax would be effective on July 1, 1989 and may be offset against any surtax payable. Since the Corporation has no surtax payable, the amount paid may be carried forward to be offset against any future surtax payable, and will expire by March 31, 1997 if not utilized.

10. Commitments to farmers

As at March 31, 1990, loans to farmers approved but not disbursed amounted to $47 million (1989—$23 million). These loans were approved at rates from 12 to 13.75 per cent. It is expected that the majority of these loans will be disbursed within the six-month period ending September 30, 1990, from funds to be borrowed by the Corporation at prevailing rates of interest at the time of borrowing.

11. Operating leases

Future minimum payments by fiscal year on operating leases for premises, with initial non-cancellable lease terms in excess of one year, are as follows:

	(in thousands of dollars)
1991	2,558
1992	2,436
1993	1,817
1994	1,196
1995	944
1996 and beyond	2,327
	11,278

These leases generally provide for the payment by the Corporation of real estate taxes and operating expenses in excess of the amounts established at the commencement of the lease term.

FARM CREDIT CORPORATION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1990—*Concluded*

12. Government programs

(a) Commodity-based Loan Program

In its budget announcement of February 26, 1986, the government instructed the Corporation to establish the Commodity-based Loan Program for existing clients of the Corporation who were experiencing financial difficulty and who met certain eligibility criteria. The program provides for reduced interest rates with loan principal indexed to changes in commodity prices. The resulting net cash flow deficiencies, if any, are made up by the government subject to annual Parliamentary appropriation.

During the year, Commodity-based Loans in the amount of $2.6 million (1989—$29 million) were disbursed, of which $0.4 million (1989—$3 million) was used to pay arrears on the Corporation's previous loans. In addition, $13 million was received from the government in respect of cash flow deficiencies (1989—$16 million) related to the Commodity-based Loan Program.

In the budget announcement of April 27, 1989, the government cancelled future lending under the Commodity-based Loan Program. Existing loans will, however, continue to be administered under the Program.

(b) Farm debt review process

Subject to annual parliamentary appropriation, the Minister of Agriculture has been authorized to make contributions to farmers, payable to the Corporation. These payments are based on concessions that the Corporation has granted to farmers under arrangements made pursuant to the Farm Debt Review Act. The Corporation is reimbursed at the time farmers realize the benefits of the concessions, which may be over a period as long as five years. These concessions cease if the farmers fail to meet their commitments, or the Corporation proceeds with recovery action.

The government has allocated up to $270 million for concessions to be granted over the period ending March 31, 1991. Since the inception of the farm debt review process, the Corporation has offered $107 million in concessions and received $76 million from the government of which $39 million was received in the current year and $37 million in prior years. The committed difference of $31 million will be due and received over the next five years as farmers meet their commitments and thereby realize the benefits of the concessions.

13. Comparative figures

Certain 1989 comparative figures have been reclassified to reflect the presentation adopted in 1990.

FEDERAL BUSINESS DEVELOPMENT BANK

AUDITORS' REPORT

TO THE MINISTER OF
INDUSTRY, SCIENCE AND TECHNOLOGY
AND
TO THE MINISTER OF STATE
(SMALL BUSINESSES AND TOURISM)

We have examined the balance sheet of the Federal Business Development Bank as at March 31, 1990 and the statements of operations, deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Bank as at March 31, 1990 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Bank that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with Part X of the Financial Administration Act and regulations, the Federal Business Development Bank Act, the by-laws of the Bank and with the directive given to the Bank as disclosed in Note 7.

Raymond, Chabot, Martin, Paré and Associates
Chartered Accountants

Montreal, Canada
May 23, 1990

Kenneth M. Dye, F.C.A.
Auditor General of Canada

Ottawa, Canada
May 23, 1990

BALANCE SHEET AS AT MARCH 31
(in thousands of dollars)

ASSETS	1990	1989
Cash	3,488	3,352
Short-term investments	140,842	97,708
	144,330	101,060
Loans	2,708,097	2,439,929
Venture capital investments (Note 5)	45,467	51,721
Interest due and accrued	11,926	11,236
	2,765,490	2,502,886
Less: accumulated provision for losses (Note 6)	214,559	174,411
	2,550,931	2,328,475
Long-term investment (Note 7)	79,000	79,000
Fixed assets, less accumulated depreciation	3,398	3,440
Unamortized debt issue expenses	10,858	14,726
Accrued interest on swap contracts	17,614	7,734
Other assets	16,056	6,490
	2,822,187	2,540,925

LIABILITIES	1990	1989
Cheques outstanding	7,834	8,109
Short-term notes	172,357	388,216
Accrued interest on notes and swap contracts	98,041	78,773
Other liabilities	30,022	22,769
	308,254	497,867
Long-term notes (Note 8)	2,127,017	1,677,133
Unamortized premiums (net) on long-term notes	21,540	20,809
	2,456,811	2,195,809
SHAREHOLDER'S EQUITY		
Capital paid in by Canada (Notes 9 and 10)	580,600	570,600
Deficit	(215,224)	(225,484)
	365,376	345,116
	2,822,187	2,540,925

Approved by the Board:

W.J. McALEER
Director

GUY A. LAVIGUEUR
Director

FEDERAL BUSINESS DEVELOPMENT BANK—*Continued*

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31
(in thousands of dollars)

	1990	1989
Financial Services		
Interest and investment income		
Loans	357,169	301,046
Venture capital investments	8,983	15,563
	366,152	316,609
Interest expense		
Long-term notes	186,334	142,918
Short-term notes (net)	38,240	42,787
	224,574	185,705
Net interest and investment income	141,578	130,904
Provision for losses on loans, guarantees and venture capital investments	57,135	53,809
Net interest and investment income after provision for losses	84,443	77,095
Non-interest expenses		
Salaries and staff benefits (Note 14)	46,781	40,684
Premises and equipment, including depreciation	9,941	9,448
Other expenses	16,676	15,894
	73,398	66,026
Net income (Note 13)	11,045	11,069
Net income attributable to		
Loans division	7,247	2,612
Venture capital division	3,798	8,457
Management Services		
Salaries and staff benefits (Note 14)	18,441	21,999
Premises and equipment	3,235	3,816
Other expenses	8,662	11,238
Total expenditures	30,338	37,053
Less: revenue from CASE counselling, training seminar registration and other activities	12,555	10,044
Net expenditures	17,783	27,009
Reorganization expenses (Note 3)	6,431	
Total net expenditures	24,214	27,009
Less: parliamentary appropriation	23,429	27,009
Net loss (Note 4)	785	
Total net expenditures were incurred as follows:		
Management counselling	8,960	9,318
Management training	6,145	5,579
Information and advice	2,678	12,112
Reorganization expenses	6,431	
	24,214	27,009

STATEMENT OF DEFICIT
FOR THE YEAR ENDED MARCH 31
(in thousands of dollars)

	1990	1989
Deficit, beginning of year	(225,484)	(236,553)
Net income, Financial Services	11,045	11,069
Net loss, Management Services	(785)	
Deficit, end of year	(215,224)	(225,484)

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31
(in thousands of dollars)

	1990	1989
Operations		
Net income, Financial Services	11,045	11,069
Net loss, Management Services	(785)	
Items not requiring an outlay of cash		
Provision for losses	57,135	53,809
Depreciation	1,678	1,419
Amortization of net premiums and debt issue expenses	(5,979)	2,312
Net change in accrued interest	8,698	19,105
Net change in other assets and other liabilities	(2,313)	7,228
	69,479	94,942
Disbursements to borrowers and investees	(762,386)	(717,003)
Repayments by borrowers and investees	480,811	453,196
Purchase of long-term investment		(23,000)
Other	1,038	(821)
Cash used in operations	(211,058)	(192,686)
Treasury		
Issue of long-term notes	894,122	519,148
Repayment of long-term notes	(444,238)	(241,546)
Net change in short-term notes	(215,859)	(128,189)
Capital paid in by Canada	10,000	35,000
Net premiums and debt issue expenses	10,578	13,632
Cash provided by treasury	254,603	198,045
Cash and short-term investments net of cheques outstanding		
Increase	43,545	5,359
Beginning of year	92,951	87,592
End of year	136,496	92,951

FEDERAL BUSINESS DEVELOPMENT BANK—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1990

1. Objectives and operations of the Corporation

Federal Business Development Bank is a Crown corporation wholly-owned by the Government of Canada, which was established December 20, 1974, by the Federal Business Development Bank Act and commenced operations on October 2, 1975, as the successor to the Industrial Development Bank.

The objectives of the Bank, as stated in the Act, are to promote and assist in the establishment of business enterprises in Canada by providing financial assistance, management counselling, management training, information and advice (See Note 3); giving particular consideration to the needs of small business enterprises.

The Bank's lending and venture capital operations are carried out by Financial Services. Management Services includes counselling and training. A statement of operations is shown for Management Services since it is funded separately by parliamentary appropriation.

Federal Business Development Bank is for all purposes of its Act an agent of the Government of Canada and, as such, all liabilities of the Corporation are direct obligations of the Government of Canada.

The Bank is exempt from income taxes.

2. Significant accounting policies

Loans and venture capital investments

Loans and venture capital investments are recorded at principal amounts.

Provision for losses on loans, guarantees and venture capital investments

Provisions are established for specifically identified probable losses on loans, guarantees and venture capital investments, as well as for anticipated but unidentified losses. The specific provision is established on an account by account basis whereas the general provision is based on historical experience and the level of loss experience anticipated and is intended to cover losses on loans, guarantees and venture capital investments which have not yet been specifically identified.

Revenue recognition

Interest on loans is recorded as income on an accrual basis except that interest is not accrued on loans where management believes that the interest will not be recovered. Dividends, interest and capital gains on venture capital investments are recorded as income when received.

Fixed assets and depreciation

Fixed assets are recorded at cost.

Depreciation is charged against income using the straight-line or diminishing balance methods in amounts sufficient to amortize the cost of fixed assets over their estimated useful lives.

With respect to the Management Services function of the Bank, all capital expenditures are charged against income in the year of acquisition as these are funded by parliamentary appropriation.

Premiums, discounts and debt issue expenses

Premiums, discounts and expenses related to the issue of debt are amortized on a straight-line basis over the term of the obligations to which they pertain and charged to interest expense.

Translation of foreign currencies

Notes payable in foreign currencies and interest thereon, are hedged by forward exchange contracts and are translated into Canadian dollars at the rates provided therein. The Bank adopts a similar practice for notes denominated in Canadian currency, which are tied to the performance of foreign currencies. The difference between the ultimate amount payable at the contracted rate and the cash proceeds of the issue is considered to be an element of financing costs and is therefore amortized to interest expense over the life of the obligation on a straight-line basis. The unamortized portion of these amounts is included with unamortized debt issue expenses in the balance sheet.

Interest rate swaps

The Bank enters into interest rate swap transactions as part of its debt financing strategy. Amounts receivable and payable arising from these contracts are recorded over the life of the swap contracts as interest expense.

Pension plan

The Bank maintains a contributory, defined benefit pension plan for eligible employees. Periodic actuarial evaluations are performed by independant actuaries to determine the value of accrued pension benefits and the costs of the plan. Pension expense for the year is comprised of the aggregate of:

— the cost of pension benefits provided in respect of current service and,

— the amortization over the expected average remaining service life of employees for adjustments arising from changes in the plan or assumptions, experience gains or losses and the plan funding excess or deficiency determined by the latest actuarial valuation.

The cumulative difference between the amounts of pension expense and funding contributions is recorded in "Other liabilities" or "Other assets" as applicable.

Employee termination entitlements

Termination entitlements arising from the Bank's conditions of employment are expensed in the year in which they are earned by employees.

3. Management Services reorganization

During the year ended March 31, 1990, the Information and Advice programs of Management Services were eliminated in response to the reduction in annual appropriation announced by the Minister of Finance in his budget speech of April 27, 1989. The costs ot the reorganization, consisting mainly of employee terminations and excess space, have been expensed in the year.

4. Management Services—Net loss

The net loss of Management Services arises from expenses which are not recovered through parliamentary appropriation until they are paid, such as employee termination entitlements and pension fund accruals.

5. Venture capital investments

	1990	1989
	(in thousands of dollars)	
Shares	28,538	34,049
Shareholder advances	996	1,299
Participating debentures	14,715	14,567
Convertible debentures	1,218	1,806
	45,467	51,721

FEDERAL BUSINESS DEVELOPMENT BANK—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1990—*Continued*

6. Accumulated provision for losses

	1990	1989
	(in thousands of dollars)	
Accumulated provision, beginning of year	174,411	137,870
Amounts written off during the year	(19,661)	(19,636)
Recovery of amounts previously written off	2,674	2,368
	157,424	120,602
Provision for the year	57,135	53,809
Accumulated provision, end of year	214,559	174,411

7. Long-term investment

Pursuant to a directive dated October 16, 1986, given by the Government of Canada to the Federal Business Development Bank under section 89 of the Financial Administration Act, the Bank was directed to purchase from Cominco Ltd. 790,000 series "E" preferred shares for an amount of $79 million. The Government of Canada provided funding for this transaction.

Cominco Ltd. is a Canadian mining producer of zinc and lead. This investment forms part of a $260 million program of modernization relating to lead smelting operations in Trail, B.C. A twenty-year agreement between the Government of Canada and Cominco Ltd. provides for a sharing in the risks of the project. The redemption of the Bank's investment and payment of dividends thereon are tied to the success of the project as determined by a profitability index which is related to the performance of lead and silver prices over the life of the agreement.

This investment is carried at cost and any dividends will be recorded when received.

8. Long-term notes

Maturities by fiscal year are as follows:

Rate %	1991	1992	1993	1994	1995	1996-99	Total
	(in thousands of dollars)						
8 1/4-9 7/8	206,040	261,744	183,084	75,000	25,000	25,000	775,868
10-11 5/8	244,976	399,738	169,200	56,672	431,121	20,665	1,322,372
12-13 7/8	16,077						16,077
14 1/4-15 3/8	12,700						12,700
	479,793	661,482	352,284	131,672	456,121	45,665	2,127,017

The above includes long-term notes payable of:

	Canadian dollars (in millions of dollars)
United States $130.9 million	172.4
Japanese Yen 19.3 billion	141.5
European Currency Units (ECU) 100.0 million	125.4
Australian $100.0 million	94.3
Italian Lira 12.0 billion	9.5
	543.1

These notes are hedged by forward exchange contracts (See Note 2).

The first table includes $349.5 million of long-term notes payable which have been the subject of interest rate swap agreements with other financial institutions. Under these agreements, fixed interest rate commitments ranging between 8 3/4% and 15 3/8% have been converted to floating interest rates which resulted in effective interest rates for fiscal 1990 which ranged between 12% and 13 1/2%. These borrowings fund a portion of the Bank's floating interest rate loan portfolio.

9. Capital paid in by Canada

	1990	1989
	(in thousands of dollars)	
Amount paid to the Bank of Canada pursuant to section 52 of the Federal Business DevelopmentBank Act	79,000	79,000
Amounts paid in pursuant to subsection 28(1) of the Federal Business Development Bank Act	475,000	468,600
Amounts paid in by appropriation	26,600	23,000
	580,600	570,600

10. Statutory limitations on operations

The Minister of Finance, with the approval of the Governor in Council, has authorized capital payments to the Bank totalling $475 million, being the maximum allowed by subsection 28(1) of the Federal Business Development Bank Act. The Bank may receive additional funding for the purposes of section 20 of the Act by way of appropriation.

The total of direct and contingent liabilities of the Bank may not exceed twelve times the amount of its "Capital" as defined in subsection 28(2) of the Federal Business Development Bank Act (or up to fifteen times with the approval of the Governor in Council). These liabilities combined with the Bank's "Capital" may not exceed $3.2 billion.

11. Contingent liabilities and commitments

(a) The Bank is guarantor of loans aggregating $2.3 million.

(b) Various legal proceedings arising from the normal course of business are pending against the Bank. Management considers that the aggregate liability resulting from these proceedings will not be material.

(c) As at March 31, 1990, the undisbursed amounts on loans and venture capital investments authorized aggregated $163.6 million.

(d) The future minimum lease commitments under operating leases related to the rental of Bank premises are as follows:

	(in thousands
1991	6,297
1992	5,862
1993	5,173
1994	4,408
1995	3,991
Thereafter	6,604
	32,335

FEDERAL BUSINESS DEVELOPMENT BANK—*Concluded*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1990—*Concluded*

12. Pension plan

Based on the latest actuarial valuation prepared as of December 31, 1989, the present value of the accrued pension benefits amounted to $179.0 million and the market related value of the net assets was $184.6 million.

13. Financial Services

The statement of operations for Financial Services is comprised of the results of the Loans Division and the Venture Capital Division which are segregated below. Within the capital of the Bank as at March 31, 1990, was an amount of $45.6 million provided by the Government of Canada to fund the venture capital investment portfolio.

	1990			1989		
	Loans	Venture capital	Total	Loans	Venture capital	Total
	(in thousands of dollars)					
Interest and investment income	357,169	8,983	366,152	301,046	15,563	316,609
Interest expense	224,574		224,574	185,705		185,705
Net interest and investment income	132,595	8,983	141,578	115,341	15,563	130,904
Provision for losses	55,158	1,977	57,135	49,917	3,892	53,809
Net interest and investment income after provision for losses	77,437	7,006	84,443	65,424	11,671	77,095
Non-interest expenses	70,190	3,208	73,398	62,812	3,214	66,026
Net income	7,247	3,798	11,045	2,612	8,457	11,069

14. Salaries and staff benefits

Salaries and staff benefits for the year ended March 31, 1990, include employee termination entitlements accrued as at that date which had not been previously recorded in the accounts, as follows:

	$
Financial Services	4,151,000
Management Services	838,000

15. Comparative financial data

Certain amounts pertaining to the fiscal year ended March 31, 1989, have been reclassified to conform with the presentation adopted for the fiscal year ended March 31, 1990.

The financial statements for the year ended March 31, 1989, were examined and reported upon by Mr. Raymond J. Morcel, F.C.A. of Price Waterhouse.

FRESHWATER FISH MARKETING CORPORATION

AUDITOR'S REPORT

TO THE MINISTER OF FISHERIES AND OCEANS

I have examined the balance sheet of the Freshwater Fish Marketing Corporation as at April 30, 1990 and the statements of income and retained earnings and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at April 30, 1990 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with Part X of the Financial Administration Act and regulations, the Freshwater Fish Marketing Act and by-laws of the Corporation.

Raymond Dubois, F.C.A.
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
July 20, 1990

BALANCE SHEET AS AT APRIL 30, 1990

ASSETS	1990	1989
	$	$
Current		
Cash	1,530,515	
Accounts receivable		
Trade	6,143,049	6,226,335
Contributions (Note 3)	11,331	202,683
Other	1,387,412	1,062,400
Inventories		
Finished fish products	10,487,905	11,416,508
Packaging material and parts	1,510,070	1,493,266
Prepaid expenses	89,801	172,155
	21,160,083	20,573,347
Property, plant and equipment (Note 4)	8,839,341	8,002,263
	29,999,424	28,575,610

LIABILITIES	1990	1989
	$	$
Current		
Bank indebtedness		103,278
Accounts payable	2,864,384	2,873,712
Accrued interest payable	1,051,897	616,588
Working capital loans from Canada (Note 5)	21,055,819	14,000,000
Provision for final payments to fishermen	1,734,055	7,958,806
	26,706,155	25,552,384
EQUITY		
Retained earnings	3,293,269	3,023,226
	29,999,424	28,575,610

Approved by the Board:

CLAUDETTE BOURRIER
Director

MAURICE BLANCHARD
Director

FRESHWATER FISH MARKETING CORPORATION—*Continued*

STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED APRIL 30, 1990

	1990	1989
	$	$
Sales		
Domestic	8,642,769	9,016,553
Export	40,744,330	46,078,880
	49,387,099	55,095,433
Expenses		
Cost of sales	41,829,672	42,821,600
Interest (Note 6)	2,027,250	735,673
Salaries and employee benefits	1,009,081	1,087,787
Depreciation and amortization	1,373,197	1,089,363
Bad debts	62,447	182,917
Other	1,081,354	848,497
	47,383,001	46,765,837
Income before provision for final payments to fishermen	2,004,098	8,329,596
Provision for final payments to fishermen	1,734,055	7,958,806
Net income for the year	270,043	370,790
Retained earnings at beginning of the year	3,023,226	2,652,436
Retained earnings at end of the year	3,293,269	3,023,226

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED APRIL 30, 1990

	1990	1989
	$	$
Cash provided by (used for)		
Operating activities		
Net income for the year	270,043	370,790
Add (deduct) items not affecting working capital		
Depreciation and amortization	1,373,197	1,089,363
Gain on sale of fixed assets	(22,945)	(22,308)
Net changes in non-cash working capital balances relating to operations	1,369,760	(2,926,218)
Cash provided by (used for) operations	2,990,055	(1,488,373)
Investing activities		
Additions to property, plant and equipment	(2,256,174)	(2,684,857)
Proceeds on sale of property, plant and equipment	40,117	52,605
Cash applied to investing activities	(2,216,057)	(2,632,252)
Financing activities		
Increase in working capital loans from Canada	7,055,819	12,000,000
Contributions for plant and equipment	28,727	348,410
Cash provided by financing activities	7,084,546	12,348,410
Decrease in provision for final payments to fishermen	(6,224,751)	(7,801,616)
Increase in cash during the year	1,633,793	426,169
Cash (bank indebtedness) beginning of year	(103,278)	(529,447)
Cash (bank indebtedness) end of year	1,530,515	(103,278)

NOTES TO FINANCIAL STATEMENTS
APRIL 30, 1990

1. Objectives and operations

The Corporation was established by the Freshwater Fish Marketing Act (the Act) in 1969, as a corporation without share capital, for the purpose of marketing and trading in fish, fish products and fish by-products in and out of Canada. The Corporation is an agent Crown corporation named in Schedule III, Part I of the Financial Administration Act and is required to conduct its operations on a self-sustaining basis. Total loans outstanding from Canada and from banks may not exceed $30 million.

The Corporation has the exclusive right to market the products of the commercial fishery in the provinces participating in the program in inter-provincial and export trade. Participation of the provinces of Manitoba, Saskatchewan, Alberta and Ontario and the Northwest Territories was established by agreement with the Government of Canada.

2. Significant accounting policies

Inventories

Finished fish products are valued at the lower of cost and net realizable value. Packaging material and parts are valued at the lower of cost and replacement cost.

Depreciation and amortization

Depreciation is based on the estimated useful lives of the assets using the following methods and annual rates:

Buildings	—Lake stations	Straight-line	10%
	—Plants	Straight-line	2 1/2%
Equipment	—Machinery and office equipment	Declining balance	10-25%
	—Automotive	Declining balance	30%
Fresh fish delivery tubs		Straight-line	10%
Vessels		Straight-line	6 2/3%

Leasehold improvements are amortized on a straight-line basis over the term of the lease. Lease terms vary in length up to 20 years.

Payments to fishermen

The Corporation purchases fish at initial prices established by the Board of Directors and the cost of such purchases is included in the cost of sales. A guide used in the determination of the initial price is 80% of the projected total payments to fishermen (initial plus final), based upon forecasts prepared by the Corporation. Final payments, if any, to fishermen are determined by the Board after the end of the year, based on the results of operations for the year. The final payments are made in respect of products purchased during the year and therefore are charged to operations of the current year.

Foreign currency translation

Accounts receivable and payable denominated in foreign currency are translated into Canadian dollars at the year-end exchange rate. Transactions in foreign currency during the year are translated at the rate in effect at the time of the transactions. Foreign exchange gains and losses are included in interest expense.

Contributions

Contributions earned in respect of property, plant and equipment are credited to the cost of the assets; those received in respect of job creation programs are credited against salaries and wages expense.

FRESHWATER FISH MARKETING CORPORATION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
APRIL 30, 1990—*Concluded*

3. Contributions receivable

	1990	1989
	$	$
Government of Canada		
Revenue Canada—Investment Tax Credit	11,331	32,055
Department of Regional Industrial Expansion		36,017
Special ARDA		134,611
	11,331	202,683

Total contributions from the Government of Canada towards the cost of property, plant and equipment during the year were $28,727 (1989—$348,410).

4. Property, plant and equipment

	1990			1989
	Cost	Accumulated depreciation and amortization	Net	Net
	$	$	$	$
Land	263,065		263,065	263,065
Buildings	5,896,907	2,800,020	3,096,887	3,004,958
Equipment	10,911,537	6,511,337	4,400,200	2,853,817
Fresh fish delivery tubs	2,434,538	1,787,149	647,389	451,947
Vessels	59,139	11,258	47,881	47,910
Leasehold improvements	422,499	398,132	24,367	35,491
Construction in progress	359,552		359,552	1,345,075
	20,347,237	11,507,896	8,839,341	8,002,263

5. Working capital loans from Canada

These loans are made under Section 16(1) of the Act and bear interest at 11.49% (1989—10.045%). They are secured by promissory notes.

6. Interest expense

	1990	1989
	$	$
Interest on working capital loans from Canada	2,054,426	786,777
Losses on foreign exchange	60,874	38,610
Interest income	(88,050)	(89,714)
	2,027,250	735,673

7. Income taxes

The Corporation is eligible to deduct for tax purposes a portion of its eligible capital cost allowance, and accordingly has no taxable income for the year. At April 30, 1990, the excess of undepreciated capital cost over net book value of property, plant and equipment amounted to $2,667,156 (1989—$2,937,199) which can be used to reduce future years' taxable income.

8. Remuneration to foreign agents

During the year, the Corporation paid an aggregate amount of $766,964 (1989—$745,420) to the following foreign sales agents: Frohman International, Juhl Brokerage Incorporation, Associated Marketing Services Inc., R.M. Sloan Co., G&G Food Sales Company, Sahakian Salm & Gordon, Benolken Brokerage Company, X. Sea. Lnt International Corp., Performance Foods, Bocar Enterprises,—U.S.; I. LeGrand H. Malo et Cie—France; Lejos Oy—Finland; AB.P. Jorgensen—Sweden; Rud Kanzow Gmbh & Co.—Germany.

9. Comparative figures

Certain of the comparative figures have been reclassified to conform to the current year's presentation.

GREAT LAKES PILOTAGE AUTHORITY, LTD.

AUDITOR'S REPORT

TO THE MINISTER OF TRANSPORT

I have examined the balance sheet of the Great Lakes Pilotage Authority, Ltd. as at December 31, 1989 and the statements of operations, deficit and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Authority as at December 31, 1989 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Authority that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with Part X of the Financial Administration Act and regulations, the Pilotage Act and regulations, and the by-laws of the Authority.

Raymond Dubois, F.C.A.
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
January 31, 1990

BALANCE SHEET AS AT DECEMBER 31, 1989

ASSETS	1989	1988
	$	$
Current		
Cash and short-term deposits	2,981,250	3,075,465
Accounts receivable	1,289,972	1,413,709
	4,271,222	4,489,174
Fixed, at cost		
Buildings	63,642	63,642
Furniture and equipment	133,997	106,786
	197,639	170,428
Less: accumulated depreciation	155,458	142,275
	42,181	28,153
	4,313,403	4,517,327

LIABILITIES	1989	1988
	$	$
Current		
Accounts payable and accrued liabilities	2,293,734	2,390,474
Accrued employee termination benefits	107,750	61,548
	2,401,484	2,452,022
Long-term		
Accrued employee termination benefits	3,148,922	3,003,607
	5,550,406	5,455,629
SHAREHOLDER'S DEFICIENCY		
Capital stock		
Authorized—Unlimited		
Issued and fully paid—15 shares	1,500	1,500
Contributed capital	82,074	82,074
Deficit	(1,320,577)	(1,021,876)
	(1,237,003)	(938,302)
	4,313,403	4,517,327

Approved by the Board:

RICHARD ARMSTRONG
Director

GUY ST. MARSEILLE
Director

GREAT LAKES PILOTAGE AUTHORITY, LTD.—*Continued*

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 1989

	1989	1988
	$	$
Revenues		
Pilotage charges	8,918,779	9,363,493
Interest and other income	264,008	189,229
Despatching and pilot boat income	182,404	194,614
	9,365,191	9,747,336
Expenses		
Pilots' salaries and benefits	6,826,702	6,831,340
Staff salaries and benefits	1,062,510	1,014,912
Transportation and travel	651,193	715,187
Pilot boat services	483,561	500,999
Employee termination benefits	354,371	269,894
Professional and special services	73,975	57,739
Communications	53,169	65,300
Rentals	50,591	46,237
Utilities, materials and supplies	39,661	40,783
Purchased despatching services	32,982	36,638
Pilot training costs	16,572	
Repairs and maintenance	16,315	15,246
Depreciation	13,603	11,072
Life insurance experience (gain) loss (Note 3)	(11,313)	114,242
	9,663,892	9,719,589
(Loss) profit for the year	(298,701)	27,747

STATEMENT OF DEFICIT
FOR THE YEAR ENDED DECEMBER 31, 1989

	1989	1988
	$	$
Balance, beginning of the year	(1,021,876)	(2,068,594)
Parliamentary appropriation		1,018,971
(Loss) profit for the year	(298,701)	27,747
Balance, end of the year	(1,320,577)	(1,021,876)

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1989

	1989	1988
	$	$
Financing activities		
Parliamentary appropriation		1,018,971
Operating activities		
Cash provided from (used in) operations		
(Loss) profit for the year	(298,701)	27,747
Items not requiring cash		
Employee termination benefits	354,371	269,894
Depreciation	13,603	11,072
	69,273	308,713
Decrease in accounts receivable	123,737	204,448
Decrease in accounts payable and accrued liabilities	(96,740)	(486,756)
Decrease in accrued employee termination benefits	(162,854)	(718,733)
Decrease in accrued retirement incentives		(227,500)
	(66,584)	(919,828)
Investing activities		
Net additions to fixed assets	(27,631)	(7,913)
Increase (decrease) in cash	(94,215)	91,230
Cash and short-term deposits, beginning of the year	3,075,465	2,984,235
Cash and short-term deposits, end of the year	2,981,250	3,075,465

GREAT LAKES PILOTAGE AUTHORITY, LTD.—*Concluded*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1989

1. Authority and objectives

The Great Lakes Pilotage Authority was established in February 1972 pursuant to the Pilotage Act, incorporated as a limited company in May 1972, and is continued under the Canada Business Corporations Act. Pursuant to the Financial Administration Act, the Authority is a Crown corporation listed in Schedule III Part I thereto. The majority of shares issued by the Authority are held by The St. Lawrence Seaway Authority, the parent Crown corporation. The balance is held by the Authority's Chairman and six Directors appointed by the Governor in Council.

The objectives of the Authority are to establish, operate, maintain and administer a safe and efficient pilotage service within designated Canadian waters. The Act provides that the pilotage tariffs shall be fair, reasonable and sufficient and together with any revenue from other sources, shall permit the Authority to operate on a self-sustaining financial basis.

The Authority is exempt from any income taxes.

2. Significant accounting policies

Parliamentary appropriations

Parliamentary appropriations received to finance the excess of expenditures over revenues are recorded in the year in which they are voted by Parliament. Any portion of the appropriations pertaining to operating expenditures requiring an outlay of funds is reflected in the statement of deficit. Any portion of the appropriations pertaining to the acquisition of fixed assets is recorded as contributed capital.

Depreciation

Depreciation of fixed assets is calculated on a straight-line basis and is based on the estimated useful lives of the assets as follows:

Buildings	20 years
Furniture and equipment	5 to 10 years

Pension plan

All employees are covered by the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the Plan are required from both the employee and the Authority. Contributions with respect to current service are expensed in the current period. Contributions with respect to past service benefits are expensed when paid.

Employee termination benefits

Employees are entitled to specified benefits on termination as provided for under labour contracts and conditions of employment. The liability for these benefits is recorded in the accounts as the benefits accrue to the employees. The current liability reflects the accrued termination benefits of only those employees who have indicated their intention to terminate their employment within the coming year.

Employee life insurance plan

The Authority provides an annual life insurance plan for its employees on a self-insurance basis. Surpluses, premiums and deficits from the plan are included in revenues and/or expenses in the year in which they apply.

3. Life insurance experience gain/loss

The 1989 gain of $11,313 resulted from an overaccrual in 1988. The 1988 life experience loss of $114,242 resulted from an underestimate in 1987, a year in which an unusual number of life insurance claims arose.

4. Pension plan

Under provisions of the Pilotage Act, pilots who choose to become employees of the Authority are entitled to count certain service prior to becoming an employee as pensionable under the Public Service Superannuation Act. For pilots who have elected to purchase pension benefits with respect to past service, the Authority is required to match the employee contribution. The estimated unfunded past service pension contribution with respect to these employees was approximately $203,000 as of December 31, 1989 (1988—$164,200) and will be funded over the remaining years of service of the pilots, or the terms of purchase, whichever is the lesser.

In 1989 the pension expense was $443,521 (1988—$430,697) including $45,805 (1988—$36,251) for past service contributions.

5. Commitments

The Authority has renewed its lease agreement for the rental of office space. The annual rental payments are:

	$
1990	42,837
1991	44,977
1992	47,213
1993	49,435
1994	4,135
	188,597

In addition, the Authority has contract commitments for the pilot boat service for the next year. The estimated commitment with respect to these contracts is approximately $300,000. Tenders have been requested for the land transportation service for the next two years. The estimated commitment is approximately $160,000 a year.

HALIFAX PORT CORPORATION

AUDITORS' REPORT

TO THE HONOURABLE DOUG LEWIS, P.C., M.P.
MINISTER OF TRANSPORT

We have examined the balance sheet of the Halifax Port Corporation as at December 31, 1989, and the statements of income and surplus, and changes in financial position, for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1989, and the results of its operations and the changes in its financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with the Financial Administration Act and regulations, the Canada Ports Corporation Act, and the by-laws of the Corporation.

Doane Raymond
Chartered Accountants

Halifax, Canada
January 26, 1990

BALANCE SHEET AS AT DECEMBER 31, 1989

ASSETS	1989	1988
	$	$
Current		
Cash	239,827	230,462
Investments (Note 3)	7,134,531	5,794,295
Accounts receivable	2,604,428	2,736,263
Materials and supplies	133,269	126,167
	10,112,055	8,887,187
Investments (Note 3)	33,510	33,405
Fixed (Note 4)	59,273,611	56,115,970
	69,419,176	65,036,562

LIABILITIES	1989	1988
	$	$
Current		
Accounts payable and accrued liabilities	1,699,611	1,159,545
Grants in lieu of municipal taxes	250,008	71,664
Deferred revenues	940,711	928,571
Current portion of long-term debt	367,462	334,057
	3,257,792	2,493,837
Accrued employee benefits	664,314	679,499
Loans from Canada (Note 5)	3,118,714	3,486,176
	7,040,820	6,659,512
EQUITY OF CANADA		
Contributed capital	53,796,865	53,796,865
Surplus	8,581,491	4,580,185
	62,378,356	58,377,050
	69,419,176	65,036,562

On behalf of the Board:

DONALD A. PARKER
Chairman

DAVID F. BELLEFONTAINE
President and Chief Executive Officer

HALIFAX PORT CORPORATION—*Continued*

STATEMENT OF INCOME AND SURPLUS
YEAR ENDED DECEMBER 31, 1989

	1989	1988
	$	$
Revenue from operations	14,851,629	13,286,341
Operating and administrative expenses	7,440,556	7,652,151
Depreciation	2,215,426	1,934,257
Grants in lieu of municipal taxes	978,444	790,963
	10,634,426	10,377,371
Income from operations	4,217,203	2,908,970
Investment income	737,672	594,105
Interest expense	(382,023)	(412,392)
Gain on disposal of fixed assets	7,123	2,456
	362,772	184,169
Net income before extraordinary item	4,579,975	3,093,139
Extraordinary item		
Gain on sale of land		266,135
Net income	4,579,975	3,359,274
Surplus, beginning of year	4,580,185	1,379,966
	9,160,160	4,739,240
Dividend to Canada	578,669	159,055
Surplus, end of year	8,581,491	4,580,185

STATEMENT OF CHANGES IN FINANCIAL POSITION
YEAR ENDED DECEMBER 31, 1989

	1989	1988
	$	$
Operating activities		
Net income before extraordinary item	4,579,975	3,093,139
Depreciation	2,215,426	1,934,257
Other	(22,413)	55,628
Decrease in operating components of working capital	855,283	136,250
Cash provided by operating activities	7,628,271	5,219,274
Financing activities		
Loans from Canada	(334,057)	(303,687)
Dividend to Canada	(578,669)	(159,055)
Cash applied to financing activities	(912,726)	(462,742)
Investing activities		
Proceeds from sale of land		266,135
Additions to fixed assets	(5,378,441)	(4,852,977)
Other	12,497	7,256
Cash applied to investing activities	(5,365,944)	(4,579,586)
Increase in cash and short-term investments	1,349,601	176,946
Cash and short-term investments, beginning of year	6,024,757	5,847,811
Cash and short-term investments, end of year	7,374,358	6,024,757

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1989

1. In accordance with the Canada Ports Corporation Act, sections 6.1 and 6.2, a petition for the establishment of a local port corporation at the Port of Halifax was approved and the Halifax Port Corporation was established effective June 1, 1984.

   In accordance with the Canada Ports Corporation Act, the assets, liabilities and equity were transferred at their carrying values in the accounts of the Canada Ports Corporation—Port of Halifax to Halifax Port Corporation.

2. Significant accounting policies

   (a) Investments

   The investments, which are direct and guaranteed securities of Canada, are shown at amortized cost. Premiums or discounts are amortized over the periods to maturity.

   (b) Fixed assets

   Fixed assets are recorded at cost, except for those transferred to the Corporation from Canada, which are recorded at appraised or fair market value established at the time of transfer. Grants towards capital projects received from Canada and from third parties are deducted from the cost of the related fixed assets.

   Depreciation is calculated on the straight-line basis for the full year, commencing with the year the asset becomes operational, using rates based on the estimated useful lives of the assets.

   (c) Pension costs

   All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions for pensions are recognized in the accounts on a current basis.

   (d) Grants in lieu of municipal taxes

   The expense for grants in lieu of municipal taxes is based on estimated municipal assessments adjusted in accordance with the Municipal Grants Act. Grants are paid after the amounts have been audited by the Municipal Grants division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

   (e) Employee benefits

   The Corporation accrues in its accounts, annually, the estimated liabilities for severance pay, annual leave, and overtime compensatory leave, which are payable to its employees in subsequent years under its collective agreements or in accordance with its policy.

HALIFAX PORT CORPORATION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1989—*Concluded*

3. Investments

	1989		1988	
	Amortized cost	Face value	Amortized cost	Face value
	$	$	$	$
Short-term	7,134,531	7,474,800	5,794,295	6,039,800

	1989		1988	
	Amortized cost	Face value	Amortized cost	Face value
	$	$	$	$
Long-term	33,510	33,498	33,405	34,270

4. Fixed assets

	1989				1988
	Depreciation rates	Cost	Accumulated depreciation	Net book value	Net book value
	%	$	$	$	$
Land		24,441,887		24,441,887	23,324,988
Dredging	2.5-6.7	3,424,519	2,302,408	1,122,111	372,477
Berthing structures	2.5-10	35,120,246	18,494,982	16,625,264	14,400,469
Buildings	2.5-10	17,336,166	11,373,528	5,962,638	5,772,861
Utilities	3.3-10	5,865,260	2,221,099	3,644,161	2,502,056
Roads and surfaces	2.5-10	8,481,260	3,984,999	4,496,261	3,345,538
Machinery and equipment	5-100	10,794,759	8,114,588	2,680,171	1,616,485
Office furniture and equipment	20	998,782	845,974	152,808	181,079
Projects under construction		148,310		148,310	4,600,017
		106,611,189	47,337,578	59,273,611	56,115,970

5. Loans from Canada

	1989	1988
	$	$
10% loan maturing on December 31, 1996, repayable in blended annual principal and interest payments of $716,080	3,486,176	3,820,233
Less: current portion repayable within one year	367,462	334,057
	3,118,714	3,486,176

The loans from Canada are unsecured.

6. Comparative figures

Certain of the 1988 comparative figures have been reclassified to conform with the financial statement presentation adopted for 1989.

HARBOURFRONT CORPORATION

AUDITORS' REPORT

TO THE MINISTER OF PUBLIC WORKS

We have examined the consolidated balance sheet of Harbourfront Corporation as at March 31, 1990 and the consolidated statements of operations, contributed capital and deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation as at March 31, 1990 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in our opinion, except as described in Note 3 to the consolidated financial statements, the transactions of the Corporation and its subsidiaries that have come to our notice during our examination of the consolidated financial statements have, in all significant respects, been in accordance with Part X of the Financial Administration Act and regulations, the charter and by-laws of the Corporation and the management agreement dated June 13, 1980 as amended and renewed from time to time and expiring March 31, 1991.

Peat Marwick Thorne
Chartered Accountants

Toronto, Canada
June 5, 1990

Kenneth M. Dye, F.C.A.
Auditor General of Canada

Ottawa, Canada
June 5, 1990

CONSOLIDATED BALANCE SHEET MARCH 31, 1990
(with comparative figures for 1989)

ASSETS	1990	1989
	$	$
Current assets		
Cash and term deposits (Note 5)	5,010,104	1,880,019
Receivable from Canada (Note 6)	4,165,179	5,917,673
Receivable from developers (Note 7)	928,675	4,998,671
Other receivables and assets	1,974,025	1,389,570
	12,077,983	14,185,933
Non-current assets		
Receivable from Canada (Note 6)		1,839,097
Receivable from developers (Note 7)	12,404,952	12,445,999
Prepaid leases	290,000	435,000
Deferred development costs (Note 8)	5,081,988	4,448,225
Fixed assets (Note 9)	1,196,696	1,607,633
	18,973,636	20,775,954
	31,051,619	34,961,887

LIABILITIES AND SHAREHOLDER'S EQUITY	1990	1989
	$	$
Current liabilities		
Accounts payable and accrued liabilities	3,177,674	3,143,981
Deferred revenues	2,652,750	886,184
	5,830,424	4,030,165
SHAREHOLDER'S EQUITY		
Share capital (Note 10)	1	1
Contributed capital	31,934,861	32,493,635
Deficit	(6,713,667)	(1,561,914)
	25,221,195	30,931,722
	31,051,619	34,961,887

See accompanying notes to consolidated financial statements.

Approved by the Board:

CONSIGLIO DI NINO
Director

NORM SEAGRAM
Director

HARBOURFRONT CORPORATION—*Continued*

CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 1990
(with comparative figures for 1989)

	1990	1989
	$	$
Public programming and facilities		
Revenues		
Event admissions	2,105,798	2,004,739
Corporate sponsorships	2,619,971	1,648,965
Government grants	1,014,381	960,063
Parking, concessions and other income	4,601,949	3,726,480
Facility rentals	769,124	829,669
	11,111,223	9,169,916
Expenses		
Event production	6,279,333	5,654,126
Event administration	1,301,102	1,159,810
Marketing	2,798,106	2,647,407
Operation of facilities	6,684,832	6,808,231
	17,063,373	16,269,574
Loss on public programming and facilities	(5,952,150)	(7,099,658)
Commercial and corporate activities		
Revenues		
Commercial income	2,631,379	2,294,938
Interest on receivables from developers	1,093,832	1,289,960
Interest on Harbourfront Capital Account	439,064	917,673
	4,164,275	4,502,571
Expenses		
Commercial management	2,209,727	1,505,810
Corporate administration	1,154,151	1,247,722
	3,363,878	2,753,532
Profit on commercial and corporate activities	800,397	1,749,039
Net loss for the year	(5,151,753)	(5,350,619)

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CONTRIBUTED CAPITAL AND DEFICIT
YEAR ENDED MARCH 31, 1990
(with comparative figures for 1989)

	1990	1989
	$	$
Contributed capital		
Balance, beginning of year	32,493,635	34,441,284
Net proceeds on development activity	(731,955)	62,053
Cost of parkland and public infrastructure conveyed to municipal governments		(206,267)
Period development and other public infrastructure costs	(3,475,819)	(1,803,435)
Capital parliamentary appropriation from Canada	3,649,000	
Balance, end of year	31,934,861	32,493,635
Deficit		
(Deficit) retained earnings, beginning of year	(1,561,914)	3,788,705
Net loss for the year	(5,151,753)	(5,350,619)
Balance, end of year	(6,713,667)	(1,561,914)

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES
IN FINANCIAL POSITION
YEAR ENDED MARCH 31, 1990
(with comparative figures for 1989)

	1990	1989
	$	$
Operating		
Net loss for the year	(5,151,753)	(5,350,619)
Depreciation	496,615	496,525
Loss on disposal of fixed assets	(826)	(31,314)
	(4,655,964)	(4,885,408)
Other receivables and assets	(584,455)	323,618
Prepaid leases	145,000	145,000
Accounts payable and accrued liabilities	33,693	186,063
Deferred revenues	1,766,566	114,051
Interest receivable on the Harbourfront Capital Account	750,523	(594,864)
	(2,544,637)	(4,711,540)
Investing		
Investment in fixed assets	(316,209)	(966,739)
Harbourfront Capital Account		
Deposits	(4,412,253)	(4,107,166)
Withdrawals	7,253,321	6,900,000
	2,524,859	1,826,095
Financing		
Grants and sponsorship of fixed assets	231,357	159,400
Development		
Net proceeds on development activity	(731,955)	62,053
Cost of parkland and public infrastructure conveyed to municipal governments		(206,267)
Period development and other public infrastructure costs	(3,475,819)	(1,803,435)
Capital parliamentary appropriation from Canada	3,649,000	
Deferred development costs	(633,763)	(307,173)
Receivable from developers	4,111,043	4,066,887
	2,918,506	1,812,065
Change in the year	3,130,085	(913,980)
Cash and term deposits, beginning of year	1,880,019	2,793,999
Cash and term deposits, end of year	5,010,104	1,880,019

See accompanying notes to consolidated financial statements.

HARBOURFRONT CORPORATION—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 1990

1. Authority and mandate of the Corporation

Harbourfront Corporation (the "Corporation"), continued under the Canada Business Corporations Act December 21, 1984, is a parent Crown corporation listed under Part I of Schedule III to the Financial Administration Act. The share capital of the Corporation is held by Her Majesty the Queen in Right of Canada ("Canada") as represented by the Minister of Public Works. The Corporation is exempt from corporate income tax.

The Harbourfront site, owned by Canada, totals approximately 100 acres and occupies a central position on the Toronto waterfront.

Under a Management Agreement with Canada dated June 13, 1980 as amended and renewed from time to time and expiring March 31, 1991, the Corporation has the dual role and mandate to:

(a) Develop, manage and operate the Harbourfront site in accordance with a development framework approved by Canada; and

(b) Initiate, conduct or sponsor cultural, recreational, scientific and educational programs which, in its view, are of advantage to the public.

Title to the lands of the Harbourfront site is held by Canada with the exception of parkland and public infrastructure conveyed to municipal governments and certain lands transferred to the Corporation by Canada. All development activity by the Corporation relates to the sale of air rights or the lease of lands of the Harbourfront site on behalf of Canada. The net proceeds generated by the Corporation from the development of the Harbourfront site as well as capital contributions from Canada are credited to contributed capital to recognize Canada's contribution to the capital funding of the Corporation.

All funds derived from the capitalized leasing, sale or resale of lands or development rights are available to the Corporation in fulfilling its mandate. These funds, when received from developers, are placed on deposit with Canada in the Harbourfront Capital Account, an interest bearing account of the Consolidated Revenue Fund. The principal may be withdrawn by the Corporation with the approval of Canada. The interest is distributable to the Corporation on request.

The principal subsidiaries of the Corporation are The Art Gallery at Harbourfront, International Readings at Harbourfront and School by the Water.

2. Evolution of the Corporation

The Corporation has been subject to development freezes and task force studies by various government bodies over the past few years. A summary of these events follows:

(a) During the period April through October 1987, a policy review of the role and mandate of the Corporation was performed at the request of the Minister of Public Works. All development projects were held in abeyance during the review.

(b) On February 22, 1988, Toronto City Council passed an Interim Control Bylaw suspending, with very few exceptions, all development activity on the Harbourfront site. The Corporation reached a settlement with the City of Toronto which established a new basis for the development of Harbourfront. Under the settlement, the Corporation would agree to convey 40.8 acres of the 100 acre Harbourfront site to the City and to provide $25 million towards the cost of improving the City's parks at Harbourfront over the next six years. This agreement was to take effect on December 14, 1989.

(c) In early 1989, the Royal Commission on the Future of Toronto's Waterfront began hearings which included an examination of the role and mandate of the Corporation. An interim report was issued by the Royal Commission in August 1989 which recommended that the Corporation enhance its public programming activities and discontinue its land development role.

(d) The Province of Ontario concurred with the recommendations of the Royal Commission and on December 13, 1989, before implementation of the settlement with the City of Toronto, imposed a development freeze on the Harbourfront site to allow the Province time to make its own recommendations on land use and related issues. The Provincial recommendations call for, among other things, the removal of three condominium projects from the south side of Queen's Quay, and for the Corporation to relinquish its role as a land developer.

Discussions are underway to effect the evolution of the Corporation to a community based non-profit organization. Legislation providing for the sale of any or all assets and the dissolution of the Corporation was tabled May 31, 1990.

Due to the uncertainty of the impact on the Corporation, the ramifications of the evolution of the Corporation, including the possible renegotiation of existing development contracts, have not been reflected in these consolidated financial statements.

3. Non-compliance with the Financial Administration Act ("FAA"):

During the past few years, the operations of the Corporation have been subject to several reviews as described in Note 2 to the consolidated financial statements. Because senior management focused attention on these reviews, a lower priority was placed on several of the requirements of the FAA. As a result:

(a) completion of the special examination was delayed to May 1990, beyond the statutory deadline of September 1, 1989;

(b) notwithstanding the fact that joint auditors had been appointed, the special examination was carried out on a sole examiner basis; and

(c) internal audits performed by the Corporation did not meet the broad scope requirements of the FAA.

4. Accounting policies

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada.

The significant accounting policies of the Corporation are as follows:

(a) Basis of consolidation

These consolidated financial statements include the accounts of the Corporation and its subsidiaries.

(b) Revenue recognition

Revenues from public programming activities are recognized on performance of the related event. Revenues from public facilities and commercial activities are recognized as the related services are provided.

(c) Development proceeds and costs

All development proceeds and costs directly attributable to a project are deferred until approval of the related development agreement is received from Canada, at which time, the proceeds are recorded, net of related development costs, as contributed capital. Development costs not attributable to a particular project are charged to contributed capital as incurred.

HARBOURFRONT CORPORATION—*Concluded*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 1990—*Concluded*

(d) Parkland and public infrastructure

Costs related to parkland and public infrastructure expected to be conveyed are deferred and charged to contributed capital when title is passed to the appropriate municipal government. All other public infrastructure costs are charged to contributed capital as incurred.

(e) Government funding and corporate sponsorship

Grants and sponsorship income are recorded as receivable when receipt is reasonably assured. Grants and sponsorship income are recognized as revenue on performance of the related event or over the period being funded, as appropriate. Grants and sponsorships related to specific capital projects are applied against the cost of those projects. Parliamentary appropriations and grants from Canada for the development of the site are made in its capacity as shareholder and are recorded as contributed capital.

(f) Fixed assets

Fixed assets are recorded at cost, net of related government grants and corporate sponsorship. Depreciation is calculated on the straight-line basis over the estimated useful life of each asset. Transfers of land to the Corporation from Canada, required to facilitate certain development agreements, are recorded at a cost of $1.

5. Cash and term deposits

Included in cash and term deposits is a separate "Investment in the Arts" account of $150,571. This fund is comprised of a $120,000 contribution by the Ontario Ministry of Culture and Communications and a $30,571 contribution by Harbourfront Corporation.

6. Receivable from Canada

	1990	1989
	$	$
Deposit in the Harbourfront Capital Account	3,998,029	6,839,097
Interest receivable on the Harbourfront Capital Account	167,150	917,673
	4,165,179	7,756,770
Less non-current portion		1,839,097
	4,165,179	5,917,673

7. Receivable from developers

	1990	1989
	$	$
Due on sale of air rights	12,053,217	15,665,395
Interest and construction allowances	1,280,410	1,779,275
	13,333,627	17,444,670
Less non-current portion	12,404,952	12,445,999
	928,675	4,998,671

8. Deferred development costs

	1990	1989
	$	$
Deferred costs of projects under development	713,676	713,676
Deferred costs of parkland and public infrastructure	4,368,312	3,734,549
	5,081,988	4,448,225

9. Fixed assets

	1990	1989
	$	$
Land	1	1
Building	3,658,959	3,658,959
Equipment	2,468,032	2,151,823
	6,126,992	5,810,783
Less government grants and corporate sponsorship	3,459,110	3,227,753
	2,667,882	2,583,030
Less accumulated depreciation	1,471,186	975,397
	1,196,696	1,607,633

Construction of The Art Gallery at Harbourfront was completed in 1988. As the capital costs of this facility are expected to be recovered from pledges, no depreciation of the unrecovered capital costs of $199,849 (1989—$431,206) has been recorded in the year.

10. Share capital

As at March 31, 1990, the authorized share capital of the Corporation consists of 500,000 (1989—500,000) common shares without par value of which 215,500 (1989—215,500) shares are issued and fully paid for consideration of $1 (1989—$1).

11. Cumulative contributions by Canada

The following unaudited historical cost information has been supplied by the Department of Public Works:

	Fiscal 1972 to 1980	Fiscal 1981 to 1990	Total
	$	$	$
Land acquisition	54.4		54.4
Operating and capital expenditures	21.5	3.6	25.1
Operating contributions		8.5	8.5
Development and land acquisition contributions		51.3	51.3
	75.9	63.4	139.3

Amounts contributed subsequent to fiscal 1980 represent expenditures pursuant to the Management Agreement with Canada.

Only that portion which represents cash received from Canada has been recorded in the accounts of the Corporation.

12. Litigation

The Corporation is the defendant in a number of legal actions and, in a number of instances, has instituted counterclaims. In the opinion of management, these actions will not have a material adverse effect on the financial position of the Corporation.

INTERNATIONAL CENTRE FOR OCEAN DEVELOPMENT

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of the International Centre for Ocean Development and all information in this annual report are the responsibility of management and have been approved by the Board of Directors.

The financial statements have been prepared in accordance with accounting principles which are generally accepted in Canada and which have been consistently applied. Financial information presented elsewhere in the annual report is consistent with that contained in the financial statements.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are authorized, assets are safeguarded and proper records are maintained. In addition, the Audit and Evaluation Committee of the Board oversees management's responsibilities for maintaining adequate control systems and the quality of financial reporting.

The independent auditor, the Auditor General of Canada is responsible for auditing the financial statements and for issuing his report thereon.

Gary C. Vernon
President

AUDITOR'S REPORT

TO THE MINISTER FOR EXTERNAL RELATIONS

I have examined the balance sheet of the International Centre for Ocean Development as at March 31, 1990 and the statements of operations, surplus, contributed surplus and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Centre as at March 31, 1990 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Centre that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with Part X of the Financial Administration Act and regulations, the International Centre for Ocean Development Act, and the by-laws of the Centre.

Raymond Dubois, F.C.A.
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
May 25, 1990

BALANCE SHEET AS AT MARCH 31, 1990

ASSETS	1990	1989	LIABILITIES	1990	1989
	$	$		$	$
Current			Current		
Cash	1,062,190	292,713	Accounts payable and accrued liabilities	1,197,732	668,932
Accounts receivable			Advances from Canadian International		
Canadian International Development			Development Agency	11,921	621,485
Agency	590,694	973,648		1,209,653	1,290,417
Other	124,637	69,672			
			EQUITY		
			Surplus	567,868	45,616
	1,777,521	1,336,033		1,777,521	1,336,033

Operating leases (Note 4)
Contractual commitments (Note 5)

Approved by the Board:

ELLEN S. MCLEAN
Director

GASTIEN GODIN
Director

INTERNATIONAL CENTRE FOR OCEAN DEVELOPMENT—*Continued*

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 1990

	1990	1989
	$	$
Expenses		
International Centre for Ocean Development program activities (Schedule A attached)		
West Africa/Indian Ocean Division	1,721,401	862,154
South Pacific/Caribbean Basin Division	3,645,615	3,246,613
Interregional and Cooperative Activities Division	2,145,219	2,360,601
Corporate programs	613,108	365,382
Total International Centre for Ocean Development program activities	8,125,343	6,834,750
Programs managed on behalf of Canadian International Development Agency (Schedule B attached)	2,198,628	504,383
Total program activities	10,323,971	7,339,133
Administrative services (Schedule C attached)	1,549,274	1,234,027
Total expenses	11,873,245	8,573,160
Revenues		
Canada International Development Agency recoveries	2,198,628	504,383
Interest and other income	96,869	81,076
Total revenues	2,295,497	585,459
Cost of operations for the year	9,577,748	7,987,701

STATEMENT OF SURPLUS
FOR THE YEAR ENDED MARCH 31, 1990

	1990	1989
	$	$
Surplus (deficit) at beginning of the year	45,616	(20,910)
Transfer of contributed surplus to deficit (Note 3)		54,227
Parliamentary appropriations	10,100,000	8,000,000
	10,145,616	8,033,317
Deduct: cost of operations for the year	9,577,748	7,987,701
Surplus at end of the year	567,868	45,616

STATEMENT OF CONTRIBUTED SURPLUS
FOR THE YEAR ENDED MARCH 31, 1990

	1990	1989
	$	$
Contributed surplus at beginning of the year		54,227
Transfer of contributed surplus to deficit (Note 3)		(54,227)
Contributed surplus at end of the year		

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1990

	1990	1989
	$	$
Financing activities		
Parliamentary appropriations	10,100,000	8,000,000
Operating activities		
Cost of operations for the year	(9,577,748)	(7,987,701)
Decrease in non-cash working capital items	247,225	242,950
	(9,330,523)	(7,744,751)
Increase in cash	769,477	255,249
Cash at beginning of the year	292,713	37,464
Cash at end of the year	1,062,190	292,713

INTERNATIONAL CENTRE FOR OCEAN DEVELOPMENT—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1990

1. Authority and objectives

The International Centre for Ocean Development was established by the International Centre for Ocean Development Act in 1985 as a Crown corporation without share capital, named in Part I of Schedule III to the Financial Administration Act and is exempt from the provisions of the Income Tax Act. The Centre is dependent on the Government of Canada for operating appropriations.

The objectives of the Centre are to initiate, encourage and support cooperation between Canada and developing countries in the field of ocean resource development by:

(a) initiating and supporting programs in developing countries for the improved management and utilization of ocean resources, particularly as a source of food;

(b) supporting the development of indigenous expertise and institutions in developing countries in order to increase the capacity of developing countries in integrated ocean use management;

(c) enlisting the expertise of people and institutions in Canada, developing countries and elsewhere;

(d) developing and sponsoring the collection and dissemination of information relating to ocean resource development;

(e) developing and sponsoring training programs, technical assistance and advisory services relating to ocean resource development; and

(f) supporting research relating to ocean resource development.

2. Significant accounting policies

The financial statements reflect the following policies:

(a) Capital expenditures

Purchases of equipment, office furniture, and costs of leasehold improvements are expensed in the year of acquisition.

(b) Parliamentary appropriations

Parliamentary appropriations are recorded in the Statement of Surplus for the year to which they apply.

(c) Project expenditures

The Centre enters into agreements with third parties to undertake projects. Project expenditures are charged to operations when disbursed and as they become due under the terms of the contractual agreement.

(d) Pension plan

Employees are covered by the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the Plan are required equally from the employees and the Centre. These contributions represent the total liability of the Centre and are recognized in the accounts on a current basis.

(e) Foreign currency translation

Monetary assets and liabilities are translated at exchange rates in effect at the balance sheet date. Foreign administrative expenses are translated using the weighted average of exchange rates in effect at the date of transfer to the Centre's foreign office. The resulting foreign currency translation gains and losses are included in the results of operations.

(f) Recognition of recoveries

Revenue in respect of projects is recognized at the time the related expenses are incurred.

3. Contributed surplus

Pursuant to the approval of the Minister of External Relations, the contributed surplus of $54,227 has been transferred to surplus, effective March 13, 1989. Contributed surplus represented the net book value of assets contributed to the Centre by the predecessor, non-government organization, International Centre for Ocean Development.

4. Operating leases

The Centre has entered into various operating lease arrangements for office premises and equipment. The future minimum lease payments are as follows:

Year ending March 31	$
1991	360,360
1992	402,894
1993	423,308
1994	415,916
1995	9,276
	1,611,754

5. Contractual commitments

The Centre is committed to the following project expenditures, subject to compliance by recipients with the terms of their agreements.

Year ending March 31	$
1991	5,287,920
1992	4,041,152
1993	1,488,610
1994	409,300
1995	387,370
	11,614,352

6. Comparative figures

The comparative figures have been reclassified to conform to the statement presentation adopted in 1990.

INTERNATIONAL CENTRE FOR OCEAN DEVELOPMENT—*Concluded*

PROGRAM EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 1990 SCHEDULE A

	Program administration	Program development	Program evaluation	Field office	Projects	Total 1990	Total 1989
	$	$	$	$	$	$	$
Program divisions							
West Africa/ Indian Ocean	521,371	54,980			1,145,050	1,721,401	862,154
South Pacific/ Caribbean Basin	560,383	30,947	40,000	75,203	2,939,082	3,645,615	3,246,613
Interregional and cooperative activities	522,300	50,634	11,109		1,561,176	2,145,219	2,360,601
Total divisional activities	1,604,054	136,561	51,109	75,203	5,645,308	7,512,235	6,469,368
Corporate programs							
Communications and publications						303,458	140,621
Policy and planning						195,992	132,144
Information Research Centre						70,664	52,291
Corporate initiatives						42,994	40,326
						613,108	365,382
						8,125,343	6,834,750

PROGRAMS MANAGED ON BEHALF OF
CANADIAN INTERNATIONAL DEVELOPMENT AGENCY
FOR THE YEAR ENDED MARCH 31, 1990 SCHEDULE B

Project number	Project name	1990	1989
		$	$
South Pacific/Caribbean Basin			
880223	South Pacific Project Fund	1,916,589	178,515
880235	Caribbean Regional Marine Resource Assessment	38,158	100,120
		1,954,747	278,635
Interregional and Cooperative Activities			
860097	World Maritime University African Scholarships	24,486	91,104
870167	World Maritime University Global Scholarships	98,408	101,170
880262	World Maritime University Global Scholarships	120,987	33,474
		243,881	225,748
		2,198,628	504,383

ADMINISTRATIVE SERVICES
FOR THE YEAR ENDED MARCH 31, 1990 SCHEDULE C

	Salaries and benefits	Equipment	Other related costs	Total 1990	Total 1989
	$	$	$	$	$
Finance	166,957	42,431	169,210	378,598	166,640
Legal	105,558	3,776	9,765	119,099	43,724
Human resource development	206,478	48,584	218,151	473,213	343,136
Executive	317,283	24,462	236,619	578,364	680,527
	796,276	119,253	633,745	1,549,274	1,234,027

INTERNATIONAL DEVELOPMENT RESEARCH CENTRE

AUDITOR'S REPORT

TO THE INTERNATIONAL DEVELOPMENT RESEARCH CENTRE
AND THE
SECRETARY OF STATE FOR EXTERNAL AFFAIRS

I have examined the balance sheet of the International Development Research Centre as at March 31, 1990 and the statements of operations, equity of Canada and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards in Canada, conforming with International Auditing Guidelines, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Centre as at March 31, 1990 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles in Canada, conforming with International Accounting Standards, applied on a basis consistent with that of the preceding year.

Kenneth M. Dye, F.C.A.
Auditor General of Canada

Ottawa, Canada
June 1, 1990

BALANCE SHEET AS AT MARCH 31, 1990

ASSETS	1990	1989
	$	$
Current		
Cash and short-term deposits (Note 3)	14,115,678	26,897,087
Accounts receivable	1,040,856	888,653
Prepaid expenses	849,248	1,394,660
	16,005,782	29,180,400
Recoverable deposits	206,894	183,430
Property and equipment (Note 4)	5,477,839	4,770,484
Endowment funds (Note 5)	433,475	165,441
	22,123,990	34,299,755

LIABILITIES	1990	1989
	$	$
Current		
Accounts payable and accrued liabilities (Note 6)	11,303,825	12,373,696
Contract research (Note 7)	1,426,291	2,532,328
	12,730,116	14,906,024
Accrued employee separation benefits	2,623,128	2,722,679
Deferred rent—Head Office	2,311,918	2,616,835
Endowment funds (Note 5)	433,475	165,441
	18,098,637	20,410,979
EQUITY		
Equity of Canada	4,025,353	13,888,776
	22,123,990	34,299,755

Approved:

IVAN L. HEAD
President

ANTOINE HAWARA
Treasurer

INTERNATIONAL DEVELOPMENT RESEARCH CENTRE—*Continued*

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 1990

	1990	1989
	$	$
Expenses		
Development-research activities		
Project-grants	63,424,558	56,898,932
Centre-administered projects	5,757,433	6,777,332
Contract research (Note 7)	9,276,881	4,198,988
	78,458,872	67,875,252
Research-related activities		
Technical support	13,762,411	13,330,589
Program development support	6,683,451	6,382,458
Information dissemination	3,045,514	2,389,558
Development-research library	1,765,694	1,722,497
	25,257,070	23,825,102
Research operational support		
Regional offices	8,728,412	7,175,783
Division management	7,378,419	7,211,702
	16,106,831	14,387,485
Total research and support expenses	119,822,773	106,087,839
General management expenses	11,123,682	9,887,429
	130,946,455	115,975,268
Revenue		
Grant from Parliament of Canada	108,500,000	114,200,000
Investment and other income	3,306,151	2,893,890
Contract research (Note 7)	9,276,881	4,198,988
	121,083,032	121,292,878
Excess of expenses over revenue (revenue over expenses)	9,863,423	(5,317,610)

STATEMENT OF EQUITY OF CANADA
FOR THE YEAR ENDED MARCH 31, 1990

	1990	1989
	$	$
Balance at the beginning of the year	13,888,776	8,571,166
Excess of expenses over revenue (revenue over expenses)	9,863,423	(5,317,610)
Balance at the end of the year	4,025,353	13,888,776

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1990

	1990	1989
	$	$
Operating activities		
Cash used in (provided by) operations		
Excess of expenses over revenue (revenue over expenses)	9,863,423	(5,317,610)
Items not affecting cash		
Depreciation and amortization	(1,322,278)	(995,099)
Provision for employee separation benefits	(303,142)	(551,298)
(Loss)/gain on disposal of equipment	(28,508)	27,883
Amortization of deferred rent	304,917	304,874
	8,514,412	(6,531,250)
Changes in non cash operating assets and liabilities		
Accounts receivable	152,203	149,640
Prepaid expenses	(545,412)	421,094
Recoverable deposits	23,464	(14,291)
Accounts payable and accrued liabilities	1,069,871	(2,952,035)
Payment of employee separation benefits	402,693	370,338
Contract research liability	1,106,037	(1,846,631)
	2,208,856	(3,871,885)
Investing activities		
Additions to property and equipment	2,336,333	2,349,863
Proceeds on disposal of equipment	(278,192)	(39,783)
	2,058,141	2,310,080
Decrease (increase) in cash	12,781,409	(8,093,055)
Cash and short-term deposits at the beginning of the year	26,897,087	18,804,032
Cash and short-term deposits at the end of the year	14,115,678	26,897,087

NOTES TO FINANCIAL STATEMENTS
AS AT MARCH 31, 1990

1. Authority and objective

The International Development Research Centre, a Corporation without share capital, was established in 1970 by the Parliament of Canada through the International Development Research Centre Act. The annual grant received from the Parliament of Canada is pursuant to External Affairs Vote 50 for the years ended March 31, 1990 and 1989 respectively.

The objective of the Centre is to initiate, encourage, support, and conduct research into the problems of the developing regions of the world and into the means for applying and adapting scientific, technical, and other knowledge to the economic and social advancement of those regions.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles, conforming with International Accounting Standards, and reflect the following significant accounting policies.

INTERNATIONAL DEVELOPMENT RESEARCH CENTRE—*Continued*

NOTES TO FINANCIAL STATEMENTS
AS AT MARCH 31, 1990—*Continued*

Property and equipment

Property and equipment are recorded at cost and depreciated over their estimated useful lives. Leasehold improvements are amortized over the terms of the respective leases. The methods and rates used to provide for the depreciation and amortization of property and equipment are:

	Method	Rate(%)
Computer equipment	Straight-line	20
Leasehold improvements	Straight-line	5-50
Office furniture and equipment	Diminishing balance	20
Vehicles	Diminishing balance	30
Telephone system	Straight-line	20

Recognition of revenue

Parliamentary grants are recorded as revenue on an accrual basis.

Revenue in respect of contract research is recognized at the time the related project expenses are incurred. Contract research funds received in excess of expenses are included in current liabilities.

Accrued employee separation benefits

Employees are entitled to specified termination benefits, calculated at salary levels in effect at the time of separation as provided for by conditions of employment. The liability for these benefits is recorded as the benefits accrue to employees.

Deferred rent

Any rent-free period or other benefits associated with long-term leases are deferred and amortized over the term of the lease on a straight-line basis.

Pension costs

Employees are covered by the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the Plan are required from the employees and the Centre. These contributions represent the total liability of the Centre and are recognized in the accounts on a current basis.

Income taxes

The Centre is exempt from any income taxes.

Foreign-currency translation

Foreign-currency transactions are translated into Canadian dollars by the use of an average exchange rate that closely approximates the rate in effect at the transaction date. Monetary assets and liabilities are adjusted to reflect the rate of exchange in effect at year-end. Exchange gains and losses are included in operations for the current year.

3. Cash and short-term deposits

	1990	1989
	$	$
Cash (bank overdraft)	(659,105)	(179,966)
Short-term deposits		
Canadian chartered banks	11,648,255	25,114,133
Foreign-owned chartered banks	2,151,598	1,962,920
Federal and Provincial governments	974,930	
	14,115,678	26,897,087

4. Property and equipment

	1990			1989
	Cost	Accumulated depreciation and amortization	Net	Net
	$	$	$	$
Computer equipment	5,424,094	2,402,335	3,021,759	2,593,069
Office furniture and equipment	1,742,902	1,050,189	692,713	774,663
Leasehold improvements	1,365,142	376,525	988,617	496,299
Vehicles	1,275,473	638,702	636,771	742,632
Telephone system	852,347	714,368	137,979	163,821
	10,659,958	5,182,119	5,477,839	4,770,484

Depreciation and amortization for the year amounted to $1,322,278 (1989, $995,099).

5. Endowment funds

In 1987, the estate of the late John Bene established a fund to provide a postgraduate fellowship in the field of social forestry. During the same year, a former member of the Board of Governors of the Centre established a fund for applied or mission-oriented research. This year, the Centre received a contribution from the V International Conference on AIDS (acquired immune deficiency syndrome), which was used to establish a fund for the purpose of AIDS research in the Third World.

	1990	1989
	$	$
Balance at the begining of the year	165,441	151,273
Donations received	255,958	5,000
Interest income	22,076	13,919
Expenses	(10,000)	(4,751)
Balance at the end of the year	433,475	165,441
John Bene	160,170	154,882
Governor	17,201	10,559
AIDS	256,104	
Total endowment funds	433,475	165,441

6. Accounts payable and accrued liabilities

	1990	1989
	$	$
Accrued liabilities—Projects	6,983,667	7,278,920
Accrued annual and other leave benefits	1,390,149	1,221,879
Other	2,930,009	3,872,897
	11,303,825	12,373,696

7. Contract research

Contract research relates to research conducted or managed by the Centre on behalf of other organizations and to the V International Conference on AIDS organized by the Centre. These are funded by other international agencies, the Canadian International Development Agency (CIDA), other federal government entities, and registration fees.

Contract research expenses of $9,276,881 (1989, $4,198,988) include $2,909,740 (1989, $2,431,480) expended on behalf of CIDA. In addition, the Centre received $49,971 (1989, $24,511) as an administration fee from CIDA, which is included in investment and other income.

Contract research current liabilities of $1,426,291 (1989, $2,532,328) include $1,043,422 (1989, $608,257) held on behalf of CIDA.

INTERNATIONAL DEVELOPMENT RESEARCH CENTRE—*Concluded*

NOTES TO FINANCIAL STATEMENTS
AS AT MARCH 31, 1990—*Concluded*

8. Operating leases

The Centre has entered into various lease arrangements for office premises, equipment, and staff accommodation in Canada and in various countries. The total annual payments under such lease arrangements will be:

Year ending March 31	$
1991	6,142,124
1992	5,150,099
1993	4,805,005
1994	4,625,239
1995	4,545,862
1996-1997	12,122,893
	37,391,222

9. Contractual commitments—Project grants and program development

The Centre is committed to make payments up to $116,097,000 during the next 4 years subject to funds being provided by Parliament and subject to compliance by recipients with the terms of project agreements. The Centre has also submitted formal grant offers to prospective recipients totaling $18,739,003 and is awaiting acceptance of these offers.

10. Comparative figures

The 1989 figures have been reclassified to conform to the statement presentation adopted in 1990.

LAURENTIAN PILOTAGE AUTHORITY

AUDITOR'S REPORT

TO THE MINISTER OF TRANSPORT

I have examined the balance sheet of Laurentian Pilotage Authority as at December 31, 1989 and the statements of operations, contributed capital, deficit and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Authority as at December 31, 1989 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Authority that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with Part X of the Financial Administration Act and regulations, the Pilotage Act and regulations and the by-laws of the Authority.

Raymond Dubois, F.C.A.
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
February 8, 1990

BALANCE SHEET AS AT DECEMBER 31, 1989

ASSETS	1989	1988	LIABILITIES	1989	1988
	$	$		$	$
Current			Current		
Accounts receivable	5,305,157	3,898,007	Bank indebtedness	760,194	848,821
			Accounts payable	5,626,233	4,044,941
Fixed (Note 3)				6,386,427	4,893,762
Land, buildings, pilot boats and other facilities	2,228,240	2,195,061	Provision for employee termination benefits	685,000	652,000
Less: accumulated depreciation	1,585,411	1,421,930		7,071,427	5,545,762
	642,829	773,131	EQUITY (DEFICIENCY) OF CANADA		
			Contributed capital	1,064,717	1,021,387
			Deficit	(2,188,158)	(1,896,011)
				(1,123,441)	(874,624)
	5,947,986	4,671,138		5,947,986	4,671,138

Approved by the Authority:

JACQUES CHOUINARD
Chairman

YVON MATTE
Member

LAUNTIAN PILOTAGE AUTHORITY—*Continued*

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 1989

	1989	1988
	$	$
Revenues		
Pilotage charges	27,956,518	26,814,830
Interest and other revenues	41,532	35,721
Rewards for rescuing ships in distress—Net	5,959	99,759
	28,004,009	26,950,310
Expenses		
Pilots' fees, salaries and benefits	23,908,004	23,241,402
Operating costs of pilot boats	2,857,596	2,644,229
Staff salaries and benefits	1,622,745	1,539,229
Professional services and members' allowances	536,682	387,199
Rentals	265,424	227,062
Transportation and travel	170,212	191,183
Communications	152,316	144,651
Utilities, material and supplies	83,777	86,579
Maintenance	42,492	71,529
Financing costs	34,174	33,396
Bad debts	12,531	10,380
Other	153,948	146,100
	29,839,901	28,722,939
Net loss for the year	1,835,892	1,772,629

STATEMENT OF CONTRIBUTED CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 1989

	1989	1988
	$	$
Balance at beginning of the year	1,021,387	996,758
Parliamentary appropriation to finance the previous year's acquisition of fixed assets	43,330	24,629
Balance at end of the year (Note 4)	1,064,717	1,021,387

STATEMENT OF DEFICIT
FOR THE YEAR ENDED DECEMBER 31, 1989

	1989	1988
	$	$
Balance at beginning of the year	1,896,011	1,642,039
Net loss for the year	1,835,892	1,772,629
Parliamentary appropriation to finance the previous year's operating deficit	(1,543,745)	(1,518,657)
Balance at end of the year (Note 4)	2,188,158	1,896,011

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1989

	1989	1988
	$	$
Operating activities		
Net loss for the year	1,835,892	1,772,629
Non-cash items		
Depreciation	(166,601)	(173,884)
Increase in the provision for employee termination benefits	(33,000)	(55,000)
	1,636,291	1,543,745
Increase (decrease) in accounts receivable	1,407,150	(637,586)
Decrease (increase) in accounts payable	(1,581,292)	730,023
	1,462,149	1,636,182
Investing activities		
Additions to fixed assets—Net	36,299	43,330
Financing activities		
Parliamentary appropriation	(1,587,075)	(1,543,286)
Bank indebtedness		
Increase (decrease) for the year	(88,627)	136,226
Balance at beginning of the year	848,821	712,595
Balance at end of the year	760,194	848,821

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1989

1. Authority and activities

The Laurentian Pilotage Authority was established in February 1972 under the Pilotage Act. Its objectives are to establish, operate, maintain and administer in the interests of safety an efficient pilotage service within certain designated Canadian waters in and around the Province of Quebec. The Act provides that pilotage tariffs shall be fair and reasonable and assure a revenue which, together with any revenue from other sources, is sufficient to permit the Authority to operate on a self-sustaining basis.

The Authority is a Crown corporation named in Part I of Schedule III to the Financial Administration Act.

2. Significant accounting policies

Fixed assets

Fixed assets obtained from Canada when the Authority was established were recorded at the then assigned values. Fixed assets purchased subsequently by the Authority are recorded at cost.

Fixed assets are depreciated using the straight-line method, at rates based on the estimated useful lives of the assets.

Contributed capital

The values assigned to the fixed assets obtained from Canada when the Authority was established and the net cost of fixed assets financed from parliamentary appropriations are recorded as contributed capital.

Parliamentary appropriations

Parliamentary appropriations received to finance the excess of expenditures over revenues are recorded in the year in which they are voted by Parliament, to contributed capital for that portion pertaining to the acquisition of fixed assets and to the deficit for that pertaining to operations. In this respect, operating expenditures include only those which require an outlay of funds.

LAURENTIAN PILOTAGE AUTHORITY—*Concluded*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1989—*Concluded*

Pension plan

Employees participate in the Superannuation Plan administered by the Government of Canada. The employees and the Authority contribute equally to the cost of the Plan. This contribution represents the total liability of the Authority. Contributions in respect of current service and of admissible past service are expensed when paid. The terms of payment of past service contributions are set by the applicable purchase conditions, generally over the number of years of service remaining prior to retirement.

Employee termination benefits

On termination of employment, employees are entitled to certain benefits provided for under their collective agreements and their conditions of employment. The cost of these benefits is expensed in the year in which they are earned.

3. Fixed assets

Details of fixed assets are as follows:

	1989			1988
	Cost	Accumulated depreciation	Net	Net
	$	$	$	$
Land	9,300		9,300	9,300
Buildings	35,048	25,713	9,335	8,315
Pilot boats	1,401,418	1,051,516	349,902	448,664
Furniture and fixtures	155,875	87,295	68,580	74,532
Communications equipment	151,873	109,441	42,432	44,577
Boarding facilities	223,634	154,690	68,944	68,543
Wharf improvements	169,033	76,065	92,968	101,420
Leasehold improvements	82,059	80,691	1,368	17,780
	2,228,240	1,585,411	642,829	773,131

Depreciation for the year is $166,601 ($173,884 in 1988).

The estimated useful lives for the principal categories of fixed assets for the purposes of calculating depreciation are as follows:

Buildings	10 years
Pilot boats	10 and 15 years
Furniture and fixtures	10 years
Communications equipment	10 years
Boarding facilities	10 and 20 years
Wharf improvements	20 years
Leasehold improvements	duration of the leases

4. Parliamentary appropriation

On February 8, 1990, the Treasury Board approved the inclusion of an appropriation up to $1.9 million in the Supplementary Estimates for 1989-90 to cover the Authority's cash deficit for the year 1989.

5. Contingencies

In connection with its operations, the Authority is the claimant or defendant in certain pending claims and lawsuits. It is the opinion of Management that these actions will not result in any material liabilities to the Authority.

MARINE ATLANTIC INC.

MANAGEMENT RESPONSIBILITIES
FOR FINANCIAL REPORTING

The consolidated financial statements presented in this annual report are the responsibility of Marine Atlantic Inc.'s management. They have been approved by its Board of Directors.

Management prepared the consolidated financial statements in accordance with generally accepted accounting principles in Canada. The financial information contained in the annual report is consistent with the data presented in the financial statements.

Marine Atlantic Inc. maintains books of account, systems of information, systems of financial and management control, as well as a comprehensive internal audit program which provide reasonable assurance that accurate financial information is available, that assets are protected, that resources are managed efficiently, and that transactions are conducted in accordance with relevant legislation and the corporation's articles of incorporation and by-laws.

The Board of Directors oversees internal audit activities through its audit committee. The committee reviews matters related to accounting, auditing, internal control systems, and the financial statements and annual report of the independent external auditors.

D.J. Weaver
Vice-President Finance and Administration

Terry W. Ivany
President and Chief Executive Officer

AUDITORS' REPORT

TO THE MINISTER OF TRANSPORT

We have examined the consolidated balance sheet of Marine Atlantic Inc. as at December 31, 1989 and the consolidated statements of income, deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation as at December 31, 1989 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

We further report that, in our opinion, the transactions of the Corporation and its wholly-owned subsidiaries that have come to our notice in the course of our examination of the consolidated financial statements have, in all significant respects, been in accordance with Part X of the Financial Administration Act and regulations, the articles of incorporation and by-laws of the Corporation and its wholly-owned subsidiaries.

Ottawa, Canada

Kenneth M. Dye, F.C.A.
Auditor General of Canada

Moncton, Canada
February 9, 1990

Peat Marwick Thorne
Chartered Accountants

CONSOLIDATED BALANCE SHEET
DECEMBER 31, 1989
(with comparative figures for 1988)
(in thousands of dollars)

ASSETS	1989	1988
Current assets		
Cash	5,879	1,427
Accounts receivable	10,681	13,966
Capital assistance receivable, Government of Canada (Note 3)	4,706	7,200
Accrued revenue, Government of Canada (Note 3)	21,217	17,693
Inventory of fuel and supplies	4,999	5,166
Work in progress	733	705
Prepaid expenses	1,238	3,130
	49,453	49,287
Long-term receivables	187	280
Fixed assets and deferred charges (Note 4)	434,522	305,196
	484,162	354,763

LIABILITIES AND SHAREHOLDER'S EQUITY (DEFICIENCY)	1989	1988
Current liabilities		
Bank indebtedness	4,369	3,714
Accounts payable and accruals	24,207	24,696
Accrued separation benefits	2,009	
Accrued vacation pay and vessel refit expense	19,848	18,082
Deferred capital assistance		423
	50,433	46,915
Long-term debt (Note 5)	8,065	8,065
Provision for capital assistance (Note 6)	428,674	298,494
SHAREHOLDER'S EQUITY (DEFICIENCY)		
Capital stock		
Common shares without par value		
Authorized—Unlimited number		
Issued and fully paid—517,061 shares	258,530	258,530
Deficit	(261,540)	(257,241)
	(3,010)	1,289
Commitments and contingencies (Notes 7, 8 and 9)		
	484,162	354,763

See accompanying notes to consolidated financial statements.

On behalf of the Board:

A.K. SCALES
Director

TERRY W. IVANY
Director

MARINE ATLANTIC INC.—*Continued*

CONSOLIDATED STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 1989
(with comparative figures for 1988)
(in thousands of dollars)

	1989	1988
Commercial revenue	68,548	66,436
Vessel repairs	16,025	6,587
	84,573	73,023
Operating expenses		
Marine Atlantic Inc.	190,770	177,363
Other services	26,560	19,527
Depreciation and amortization	20,622	20,491
	237,952	217,381
Loss from operations	153,379	144,358
Government contract revenue	118,800	119,200
Government contract revenue—Accrued	3,524	62
Subsidies and contracted services	6,293	6,332
Reduction in provision for capital assistance (Note 6)	20,358	20,225
Interest and other income	105	920
	149,080	146,739
Net income (loss) for the year	(4,299)	2,381

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES
IN FINANCIAL POSITION
YEAR ENDED DECEMBER 31, 1989
(with comparative figures for 1988)
(in thousands of dollars)

	1989	1988
Operating activities		
Net income (loss) for the year	(4,299)	2,381
Add (deduct)		
Items not affecting working capital	1,252	298
Prior period adjustment		1,689
Net changes in non-cash working capital balances relating to operations	7,572	(8,943)
Deferred government and other contract revenue		(708)
Cash provided by (applied to) operations	4,525	(5,283)
Investing activities		
Additions to fixed assets and deferred charges	(151,142)	(13,242)
Net proceeds on disposal of fixed assets	206	129
Long-term receivables	93	(35)
Cash applied to investing activities	(150,843)	(13,148)
Financing activities		
Deferred capital assistance	(423)	(202)
Reduction in provision due to disposal of fixed assets	(101)	(35)
Payments on note payable		(424)
Capital assistance	150,639	13,385
Cash provided by financing activities	150,115	12,724
Increase (decrease) in cash during the year	3,797	(5,707)
Cash (deficiency), beginning of year	(2,287)	3,420
Cash (deficiency) end of year	1,510	(2,287)

Cash position is defined as cash less bank indebtedness.
See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF DEFICIT
YEAR ENDED DECEMBER 31, 1989
(with comparative figures for 1988)
(in thousands of dollars)

	1989	1988
Deficit, beginning of year as previously reported	(259,186)	(261,311)
Prior period adjustment (Note 10)	1,945	1,689
Deficit, beginning of year as restated	(257,241)	(259,622)
Net income (loss) for the year	(4,299)	2,381
Deficit, end of year	(261,540)	(257,241)

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1989
(in thousands of dollars)

1. Nature of operations and authority

The Marine Atlantic Inc. Acquisition Authorization Act was proclaimed in 1986. In accordance with the Act, the Corporation's articles restrict the business that it may carry on to the acquisition, establishment, management and operation of a marine transportation service, a marine maintenance repair and refit service, a marine construction business and any service or business related thereto. Marine Atlantic Inc. is a Crown Corporation listed in Schedule III, Part I of the Financial Administration Act and is not subject to income tax under the provisions of the Income Tax Act.

The Corporation's activities are also governed by agreements negotiated with the Government of Canada. The agreements provide, among other things, for the Corporation to receive contract revenues from the Government of Canada to the extent that the estimated cost of providing ferry, coastal, terminal and water services is not recovered from estimated commercial revenues. In addition, and subject to parliamentary appropriations, amounts are received to finance the acquisition of fixed assets on a proven cash needs basis. The allocation of funds received in respect of contract revenue and the acquisition of fixed assets are subject to approval by the Minister of Transport. As a result, the Corporation is economically dependent on the Government of Canada for the funds it receives through these arrangements.

2. Significant accounting policies

(a) These consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiaries, Newfoundland Dockyard Corporation and Coastal Transport Limited. All intercompany transactions have been eliminated in these consolidated financial statements.

(b) Inventory of fuel and supplies

Inventories are valued at the lower of cost and replacement cost. Cost is determined on a weighted-average basis.

(c) Work in progress

Ship repair and maintenance activities of the Newfoundland Dockyard Corporation are valued on a percentage of completion basis.

MARINE ATLANTIC INC.—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1989—*Continued*

(d) Fixed assets

Fixed assets are carried at the cost to acquire them less accumulated depreciation. Due to a change in funding arrangements with the Corporation's shareholder in 1986, and as explained further in Note 6, a provision for those capital costs not considered recoverable from future revenue sources has been made.

(e) Depreciation

Depreciation is calculated at rates sufficient to write off fixed assets over their estimated useful lives generally on a straight line basis. The rates for significant classes of assets are as follows:

Vessels	5%
Terminal properties	2.5%
Equipment	10%, 12.5% and 25%

(f) Deferred charges

Deferred charges are accounted for at cost less accumulated amortization. They are being amortized to income on a straight line basis over periods not exceeding 60 months.

(g) Government contract revenue and government contract revenue-accrued

(i) Revenues received under contract to provide ferry service to Atlantic Canada are based on operating budgets approved by the Government of Canada for each year and are included in income in the year received to fund operating expenses in excess of commercial revenues.

(ii) Revenue for vacation pay, vessel refits and separation benefits is accrued to the extent that the amounts are reasonably assured of being recovered from future contract revenue.

(h) Capital assistance

Amounts received or receivable from the Government of Canada, under the Capital Funding Agreement, to finance the acquisition of fixed assets are recorded in the Provision for Capital Assistance in the year in which the related fixed assets are capitalized, and are amortized to income on the same basis and over the same periods as the related fixed assets are depreciated. In management's opinion, the amounts received under the Capital Funding Agreement represent general capital assistance funds, not equity contributions from the Government of Canada as shareholder. Equity contributions, had there been any, would have been reflected as contributed capital in shareholder's equity/deficiency.

(i) Foreign currency translation

Monetary assets and liabilities denominated in a foreign currency are translated at exchange rates in effect at the year end. Other assets and liabilities, revenues and expenses are translated using exchange rates in effect at the date of the transaction. Gains and losses arising on translation are included in net income.

(j) Employee compensation

(a) Pension plans

Substantially all of the Corporation's employees are covered by a defined benefit retirement plan. Pension costs related to benefits earned by employees in the current year are charged to income. The value of the accrued pension benefits for services rendered to December 31, 1989, of $251 million, has been determined by the Corporation's actuaries using best estimate assumptions provided by management. The pension fund assets of $228 million as at December 31, 1989 have been valued using market related values calculated on a basis whereby they will be adjusted to market values over a 5 year period.

The net deficiency at January 1, 1989 for the plan is being amortized on a straight line basis over the estimated average remaining service lives of the related employee group.

(b) Personal injury costs

Certain employees, retired as a result of injury, receive specified pension benefits. The Corporation recognizes the benefit payouts as an expense in the year paid.

(k) Vessel spare parts

The Company maintains spare parts for vessels in service. The cost of spare parts is charged to operations in the period the purchase is made.

3. (a) Capital assistance receivable, Government of Canada

Under contractual terms contained in the Corporation's Capital Funding Agreement, the Corporation receives payments against its approved capital budget in installments calculated in reference to its monthly working capital deficiency or cash requirements. The amount receivable at December 31, 1989 represents a charge to the Government of Canada for funds previously approved under the Capital Funding Agreement.

(b) Accrued revenue, Government of Canada

Revenue for vacation pay, vessel refits and separation benefits in the amount of $21,217 is accrued pursuant to the accounting policy described in Note 2(g)(ii).

4. Fixed assets and deferred charges

	1989			1988
	Cost	Accumulated depreciation and amortization	Net book value	Net book value
	(in thousands of dollars)			
Land	604		604	604
Vessels	290,556	96,109	194,447	208,594
Terminal properties	94,582	23,524	71,058	64,047
Equipment	24,745	11,308	13,437	12,113
Leasehold improvements	255	115	140	153
	410,742	131,056	279,686	285,511
Assets under construction	151,881		151,881	16,230
	562,623	131,056	431,567	301,741
Deferred charges	6,523	3,568	2,955	3,455
	569,146	134,624	434,522	305,196

MARINE ATLANTIC INC.—*Concluded*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1989—*Concluded*

5. Long-term debt

Government of Newfoundland debenture, with interest at the rate of 16.55% per annum and maturing in 2008, payable by subsidiary, Newfoundland Dockyard Corporation.

Under the terms of the debenture, payment of non-cumulative annual interest and principal are required to the extent that annual funds are available from Newfoundland Dockyard Corporation. To date, no payments have been required. At maturity, the unpaid balance of the principal amount of the debenture shall cease to be an obligation of the Newfoundland Dockyard Corporation.

6. Provision for capital assistance

In accordance with changes in 1986 in the contractual funding agreements, future depreciation and amortization on those fixed assets and deferred charges acquired prior to January 1, 1987, and which had substantially been financed through the issue of capital stock, were no longer recoverable under contracts with the Government of Canada. Management considers it unlikely that the Corporation will generate sufficient commercial revenue to recover these costs. Accordingly, in 1986 management provided $290.6 million as an adjustment to retained earnings. This provision for capital assistance is reduced as the related assets are depreciated, amortized or upon their disposition. The provision for capital assistance is also charged annually with amounts received or receivable from the Government of Canada to finance the acquisition of fixed assets (see Note 2(h)) and is reduced as the related assets are depreciated.

7. Commitments and contingencies

(a) The total amount required to complete contracted fixed assets under construction at December 31, 1989 is estimated to be $6 million (1988—$129 million).

(b) The Corporation has received a claim of approximately $27 million including interest from the builder of one of the Corporation's vessels. The Corporation has filed a claim of approximately $14 million plus interest against the builder. An arbitration of this matter was completed in October 1986. The Corporation has been awarded a net amount of $1.356 million. However the arbitration is subject to appeal and the amount has not been recorded in the accounts.

The Corporation is also in receipt of claims, an estimated $845 thousand of which is in litigation and another $930 thousand of which has not yet reached litigation; however any final determination as to the Corporation's exposure is presently unknown.

8. Operating leases

The Corporation makes use of property which is available through operating leases. The minimum lease payments are as follows:

1990	1,044
1991	919
1992	898
1993	898
1994	843
Total minimum lease payments	4,602

9. Vessel charter

The Corporation charters vessels to complement its existing fleet. The minimum vessel charter payments are as follows:

1990	3,956
1991	1,946
1992	1,127
1993	1,127
	8,156

10. Prior period adjustment

As the result of an appeal to the Newfoundland government concerning sales tax on fuel, the Corporation recorded a refund relating to the prior period. The adjustment is for the years 1981-1988. The 1988 amount of $256 thousand has been reflected in the 1988 comparative figures and the remainder of the adjustment has been charged to the deficit.

11. Comparative figures

Certain 1988 comparative figures have been changed to reflect the prior period adjustment as described in Note 10 and to conform with the presentation for 1989.

MINGAN ASSOCIATES, LTD.

THE CORPORATION HAS NEGLIGIBLE ASSETS AND WAS INACTIVE
DURING THE REPORT PERIOD

MONTRÉAL PORT CORPORATION

AUDITORS' REPORT

TO THE HONOURABLE DOUG LEWIS, P.C., M.P.
MINISTER OF TRANSPORT

We have examined the balance sheet of the Montréal Port Corporation as at December 31, 1989 and the statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1989 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Furthermore, in our opinion, the transactions of the Corporation that have come under our notice in the course of our examination of the financial statements have, in all significant respects, been in accordance with Part X of the Financial Administration Act and regulations, and with the charter and by-laws of the Corporation.

Samson Bélair/Deloitte & Touche
Chartered Accountants

Montréal, Canada
February 9, 1990

BALANCE SHEET AS AT DECEMBER 31, 1989
(in thousands of dollars)

ASSETS	1989	1988
Current		
Cash	1,340	692
Investments (Note 3)	21,083	28,871
Accounts receivable	10,240	9,176
Materials and supplies	940	872
	33,603	39,611
Investments (Note 3)	39,749	39,572
Fixed assets (Note 4)	156,989	153,618
Other assets	579	499
	230,920	233,300

LIABILITIES	1989	1988
Current		
Accounts payable and accrued liabilities (Note 5)	8,117	10,254
Grants in lieu of municipal taxes	820	2,386
	8,937	12,640
Accrued employee benefits	5,206	5,329
Loans from Canada (Note 6)	6,129	6,561
	11,335	11,890
EQUITY OF CANADA		
Contributed capital	183,569	183,569
Retained earnings	27,079	25,201
	210,648	208,770
	230,920	233,300

On behalf of the Board:

ANDRÉ GINGRAS
Chairman

DOMINIC J. TADDEO
General Manager and Chief Executive Officer

MONTRÉAL PORT CORPORATION—*Continued*

STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 1989
(in thousands of dollars)

	1989	1988
Revenue from operations	53,034	57,268
Operating and administrative expenses	40,159	39,385
Depreciation	10,503	9,838
Grants in lieu of municipal taxes	4,125	3,403
	54,787	52,626
Income (loss) from operations	(1,753)	4,642
Investment income	7,372	7,968
Interest expense	(436)	(459)
	6,936	7,509
Income before unusual item	5,183	12,151
Adjustment of grants in lieu of municipal taxes		1,915
Net income	5,183	14,066

STATEMENT OF RETAINED EARNINGS
YEAR ENDED DECEMBER 31, 1989
(in thousands of dollars)

	1989	1988
Balance at beginning	25,201	15,407
Net income	5,183	14,066
Dividend	(3,305)	(4,272)
Balance at end	27,079	25,201

STATEMENT OF CHANGES IN FINANCIAL POSITION
YEAR ENDED DECEMBER 31, 1989
(in thousands of dollars)

	1989	1988
Inflow (outflow) of cash related to the following activities		
Operating		
Net income	5,183	14,066
Items not affecting cash		
Depreciation	10,503	9,838
Other	687	142
	16,373	24,046
Changes in non-cash operating working capital items	(5,211)	(1,987)
	11,162	22,059
Financing		
Repayment of current portion of loans from Canada	(407)	(383)
Increase (decrease) in accrued employee benefits	(123)	104
Dividend paid	(3,305)	(4,272)
	(3,835)	(4,551)
Investing		
Acquisition of long-term investments	(177)	(177)
Acquisition of fixed assets	(15,029)	(24,423)
Deposit on land to be sold	375	
Proceeds on disposal of fixed assets	468	51
Receipt of other assets	36	28
Acquisition of other assets	(140)	(81)
	(14,467)	(24,602)
Decrease in cash	(7,140)	(7,094)
Cash at beginning	29,563	36,657
Cash at end	22,423	29,563

Cash comprises cash and short term investments.

MONTRÉAL PORT CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1989

1. Status

The Montréal Port Corporation (the Corporation) was incorporated by letters patent in accordance with paragraph 6.2(1) of the Canada Ports Corporation Act on July 1, 1983.

Under Section 6.5 of the same Act, on the establishment of a local port corporation, all rights, obligations and liabilities of the Canada Ports Corporation in relation to that harbour shall become rights, obligations and liabilities of the local port corporation and the administration of all such property and works within the limits of that harbour as are administered by the Board, shall be deemed to have been transferred to the local port corporation, in this case the Montréal Port Corporation.

2. Significant accounting policies

(a) Investments

Investments are shown at amortized cost, with premiums or discounts amortized over their periods to maturity.

(b) Inventories

Materials and supplies are valued at the lower of cost and replacement cost. Cost is determined substantially on average cost.

(c) Fixed assets and depreciation

Fixed assets are recorded at original cost with related accumulated depreciation transferred from Canada Ports Corporation; subsequent acquisitions are recorded at cost.

Depreciation is calculated according to the straight-line method for the full year, commencing in the year the asset becomes operational, using rates based on the estimated useful lives of the assets.

(d) Pension costs

All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the plan are required from both the employees and the Corporation. These contributions represent the total liability of the Corporation and are recognized in the accounts on a current basis.

(e) Grants in lieu of municipal taxes

Grants in lieu of municipal taxes are based on estimated municipal assessments adjusted in accordance with the Municipal Grants Act. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

(f) Employee benefits

The Corporation accrues in its accounts the estimated liabilities for severance pay, annual leave, sick leave and overtime compensatory leave, which are payable to its employees in subsequent years under collective agreements, or in accordance with Corporation policy.

3. Investments

Funds are invested in Government of Canada direct securities and guaranteed by the Government of Canada. As at December 31, 1989, the market value of the short-term investments is equivalent to their amortized cost, and market value of long-term investments is $43,868,057 ($42,450,600 in 1988).

4. Fixed assets

	1989				1988
	Depreciation rates	Cost	Accumulated depreciation	Net book value	Net book value
	%	(in thousands of dollars)			
Land		26,086		26,086	23,230
Dredging	2.5	16,177	12,651	3,526	3,510
Berthing structures	2.5	60,430	39,828	20,602	20,598
Buildings	2.5-10	71,291	31,713	39,578	38,072
Utilities	3.3-10	17,751	7,824	9,927	10,052
Roads and surfaces	2.5-10	55,225	17,017	38,208	37,552
Machinery and equipment	5-20	54,963	37,873	17,090	18,381
Office furniture and equipment	20	2,960	1,688	1,272	468
		304,883	148,594	156,289	151,863
Projects under construction		700		700	1,755
		305,583	148,594	156,989	153,618

MONTRÉAL PORT CORPORATION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1989—*Concluded*

5. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities are amounts for deferred revenues of $632,317 ($1,002,793 in 1988) and for the current portion of long-term liabilities of $432,497 ($407,056 in 1988).

6. Loans from Canada

	1989	1988
	(in thousands of dollars)	
Loans bearing interest at 6.25% with blended annual principal and interest repayment requirements of $842,561 and maturing in the year 2000	6,561	6,968
Current portion	432	407
	6,129	6,561

Principal repayment requirements over the next five years amount to:

	$
1990	432,497
1991	459,528
1992	488,249
1993	518,765
1994	551,187

7. Contingencies

Claims aggregating approximately $6,300,000 in respect of lawsuits, guarantees and damages allegedly suffered on the Corporation property and sundry legal matters in dispute have been made against the Corporation but are not reflected in the accounts. In the opinion of the Corporation, its position is defensible and the final outcome of such claims should not result in any material loss.

8. Commitments

(a) Contractual obligations for the completion, construction and purchase of fixed assets are estimated at $708,000.

(b) In accordance with a Government of Canada policy concerning payment of dividend, the Corporation would be required to pay a dividend, in respect of the 1989 fiscal year, based on a method of calculation using net income. This dividend payable before March 31, 1990, would amount to approximately $1,410,000 and would be applied against retained earnings.

9. Related party transactions

In the ordinary course of business, the Corporation enters into transactions with related parties, including the Government of Canada, its agencies and other Crown corporations.

The Corporation derives revenues from related parties principally from grain warehousing and switching charges. The expenses paid to related parties are principally administration fees.

NATIONAL ARTS CENTRE CORPORATION

AUDITOR'S REPORT

TO THE CHAIRMAN OF THE BOARD OF TRUSTEES
NATIONAL ARTS CENTRE CORPORATION

I have examined the balance sheet of the National Arts Centre Corporation as at August 31, 1989 and the statements of revenue and expenses, surplus and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at August 31, 1989 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Raymond Dubois, F.C.A.
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
October 27, 1989

BALANCE SHEET AS AT AUGUST 31, 1989

ASSETS	1989	1988
	$	$
Current		
Cash	206,724	393,263
Short-term investments	527,392	3,594,124
Accounts receivable (Note 3)	1,596,643	1,784,365
Inventories (Note 4)	416,339	438,548
Programmes in progress	1,112,453	745,185
Prepaid expenses (Note 5)	292,788	281,783
	4,152,339	7,237,268
Fixed assets (Note 6)	3,454,391	2,995,502
	7,606,730	10,232,770

LIABILITIES	1989	1988
	$	$
Current		
Accounts payable and accrued liabilities (Note 7)	2,335,541	2,689,234
Deferred revenue (Note 8)	4,058,963	4,432,158
Deferred parliamentary appropriation Major capital projects (Note 9)	240,744	1,644,001
	6,635,248	8,765,393
Long-term obligation under capital lease	9,377	15,538
Provision for employee termination benefits	624,399	398,732
	633,776	414,270
	7,269,024	9,179,663
EQUITY OF CANADA		
Surplus	337,706	1,053,107
	7,606,730	10,232,770

Approved by Management:

YVON DESROCHERS
Director General

RICHARD LUSSIER
Director of Finance and Administration

Approved by the Board of Trustees:

ROBERT LANDRY
Chairman

MADELEINE PANACCIO
Vice-Chairman

NATIONAL ARTS CENTRE CORPORATION—*Continued*

STATEMENT OF REVENUE AND EXPENSES FOR THE YEAR ENDED AUGUST 31, 1989

	1989	1988
	$	$
Operating revenue		
Performing arts programmes (Schedule 1)	11,295,860	9,036,829
Commercial services (Schedule 2)	7,596,784	7,129,472
Rental of halls	747,198	780,944
Programme support services (Schedule 6)	641,085	514,349
Other	4,509	27,575
	20,285,436	17,489,169
Operating expenses		
Performing arts programmes (Schedule 1)	17,956,195	16,106,843
Commercial services (Schedule 2)	5,634,253	5,505,783
Operation of the buildings (Schedule 7)	5,322,123	5,055,285
Programme support services (Schedule 6)	4,515,353	3,742,939
Administrative services (Schedule 8)	3,078,941	2,763,454
Rental of halls	395,276	417,579
Board of trustees	53,349	225,980
	36,955,490	33,817,863
Excess of operating expenses over operating revenue	16,670,054	16,328,694
Other income		
Regional municipal grant	230,000	270,000
Interest on short-term investments	121,234	109,785
	351,234	379,785
Excess of expenses over revenue	16,318,820	15,948,909

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED AUGUST 31, 1989

	1989	1988
	$	$
Operating		
Excess of expenses over revenue	(16,318,820)	(15,948,909)
Items not affecting funds		
Depreciation and amortization	886,188	775,379
Provision for employee termination benefits	225,667	37,987
Loss on disposal of fixed assets		(26,873)
Decrease (increase) of components of operating working capital other than cash	(895,230)	2,079,913
	(16,102,195)	(13,082,503)
Financing		
Parliamentary appropriations		
Operating	15,603,419	15,366,000
Major capital projects including interest earned	1,812,166	3,361,237
Long-term obligation under capital lease	(6,161)	(4,973)
	17,409,424	18,722,264
Investing		
Major capital projects	(3,215,423)	(1,638,657)
Additions to fixed assets	(1,345,077)	(348,891)
	(4,560,500)	(1,987,548)
Increase (decrease) in cash during the year	(3,253,271)	3,652,213
Cash and short-term investments at beginning of year	3,987,387	335,174
Cash and short-term investments at end of year	734,116	3,987,387

STATEMENT OF SURPLUS FOR THE YEAR ENDED AUGUST 31, 1989

	1989	1988
	$	$
Surplus at beginning of the year	1,053,107	1,606,016
Parliamentary appropriation—Operating	15,603,419	15,396,000
Excess of expenses over revenue	(16,318,820)	(15,948,909)
Deficit for the year	(715,401)	(552,909)
Surplus at end of the year	337,706	1,053,107

NATIONAL ARTS CENTRE CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 1989

1. Objectives and operations

The objectives of the Corporation are: to operate and maintain the National Arts Centre; to develop the performing arts in the National Capital Region; and to assist the Canada Council in the development of the performing arts elsewhere in Canada.

In furtherance of its objectives, the Corporation may arrange for and sponsor performing arts activities at the Centre; encourage and assist in the development of performing arts companies resident at the Centre; arrange for or sponsor radio and television broadcasts and the showing of films in the Centre; provide accommodation at the Centre, on such terms and conditions as the Corporation may fix, for national and local organizations whose objects include the development and encouragement of the performing arts in Canada; and, at the request of the Government of Canada or the Canada Council, arrange for performances elsewhere in Canada by performing arts companies, whether resident or non-resident in Canada, and arrange for performances outside Canada by performing arts companies resident in Canada.

With a view to achieving the objectives, Her Majesty demised and leased the National Arts Centre building complex to the Corporation for a period expiring May 31, 1990. Negotiations are in progress to renew the lease. Under the terms of the lease, the Corporation is responsible for maintenance and operation of the building complex, but is not required to pay for the use of the complex.

2. Significant accounting policies

(a) Short-term investments

Short-term investments are carried at cost which approximates market value.

(b) Grants

Grants are recorded as revenue in the year in which the grantors make firm commitments to the Corporation.

(c) Inventories

Inventories are valued at the lower of cost and net realizable value for food, beverages and boutique materials or replacement cost for production materials.

(d) Programmes in progress

Direct costs, including advances to performing companies and artists, incurred prior to the end of the year for programmes in progress are deferred and charged to expenses in the year in which the programmes terminate. Indirect costs and common services not attributable to particular performances are charged to expenses in the year in which they are incurred.

(e) Fixed assets

Fixed assets used in the operations, other than the NAC complex, are recorded at cost. Depreciation and amortization are calculated on the straight-line method, as follows:

L'Atelier—Theatre	20 years
Equipment	5 and 7 years
Equipment under capital lease	5 and 7 years
Leasehold improvements	4 and 10 years

Since the complex is leased by the Corporation at no cost, no depreciation or amortization is taken on the building.

(f) Deferred revenue

Revenue from tickets sold prior to the end of the year for programmes in progress is deferred and credited to revenue in the year in which the programmes terminate. Gift certificates and exchange vouchers not redeemed within three years of the year of their issuance are written off and credited to revenue. A percentage of those less than three years old is also credited to revenue.

(g) Operating expenses

Expenses relating to performing arts programmes and commercial services do not include costs relating to building and equipment maintenance, utilities and administrative services. The costs relating to furniture and equipment that are not capitalized are included as expenses of operations of the buildings and commercial services.

(h) Pension plan

Employees of the Corporation participate in the Public Service Superannuation plan, administered by the Government of Canada. Contributions to the plan are required by both the employees and the Corporation. These contributions represent the Corporation's total obligation and are recorded as they become due.

(i) Employee termination benefits

Employees of the Corporation are entitled to specified benefits on termination as provided for under labour contracts and conditions of employment. The liability for these benefits is recorded in the accounts as the benefits accrue to the employees under the respective terms of employment.

(j) Parliamentary appropriations

The parliamentary appropriation for operations, received during the period April 1 to August 31, is in respect of the Government of Canada's fiscal year ending on March 31 of the following year. The Corporation credits to surplus each month one-twelfth of the approved appropriation. If the amount received to August 31 is in excess of 5/12ths of the appropriation, the excess portion is deferred to the following year. In the event that the amount received is less than 5/12ths of the appropriation, the difference is recorded as a receivable.

The parliamentary appropriation received for major capital projects is deferred until used. An amount equal to the cost of the projects incurred during the year is deducted from the deferred parliamentary appropriation.

NATIONAL ARTS CENTRE CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 1989—*Continued*

3. Accounts receivable

	1989	1988
	$	$
Customer accounts	816,347	794,768
Allowance for bad debts	(15,849)	(21,205)
	800,498	773,563
Tickets sold by a sales agency	332,582	104,931
Parliamentary appropriation—Operating (Note 10)	285,250	665,831
Regional municipal grant	115,000	135,000
Loans to musicians—Purchase of instruments	35,467	59,987
Accrued interest	6,084	27,586
Other	21,762	17,467
	1,596,643	1,784,365

4. Inventories

	1989	1988
	$	$
Production materials	190,974	211,547
Food, beverages and tobacco	188,425	180,956
Boutique (closed on August 31, 1989)	36,940	46,045
	416,339	438,548

5. Prepaid expenses

	1989	1988
	$	$
Supplies	134,138	174,098
Prepaid services	82,000	65,237
Souvenirs and other items	31,472	31,933
Commissions	5,806	
Miscellaneous	39,372	10,515
	292,788	281,783

6. Fixed assets

	1989			1988
	Cost	Accumulated depreciation and amortization	Net book value	Net book value
	$	$	$	$
Land	90,000		90,000	90,000
L'Atelier—Theatre	298,069	118,589	179,480	194,384
Equipment	4,322,764	3,053,488	1,269,276	1,175,753
Equipment under capital lease	28,750	11,500	17,250	23,000
Leasehold improvements	3,451,131	1,556,714	1,894,417	1,512,365
Uncompleted capital projects	3,968		3,968	
	8,194,682	4,740,291	3,454,391	2,995,502

7. Accounts payable and accrued liabilities

	1989	1988
	$	$
Trade	1,230,504	1,699,357
Accrued salaries and annual leave	779,464	802,135
Payroll deductions and sales tax	325,573	187,742
	2,335,541	2,689,234

8. Deferred revenue

	1989	1988
	$	$
Tickets sold prior to the end of the year for programmes in progress	3,639,849	4,157,596
Unredeemed gift certificates and other	419,114	274,562
	4,058,963	4,432,158

9. Deferred parliamentary appropriation—Major capital projects

	1989	1988
	$	$
Deferred from the previous year	1,644,001	300,389
Received during the year	1,672,000	3,262,000
Interest earned during the year	140,166	99,237
Expenses for the year	(3,215,423)	(2,017,625)
Deferred to the following year	240,744	1,644,001

10. Parliamentary appropriation—Operating

	1989	1988
	$	$
Receivable at beginning of year	665,831	635,831
Credited to surplus	15,603,419	15,396,000
Received during the year	(15,984,000)	(15,366,000)
Receivable at end of year (Note 3)	285,250	665,831

11. Commitments

As at August 31, 1989, commitments for operating and capital leases, with terms of more than one year, amounted to $294,628. Future minimum payments under these arrangements are payable as follows:

Year ending August 31	$
1990	235,032
1991	34,580
1992	23,808
1993	1,208
	294,628

Furthermore, the NAC has an agreement with a ticket sales agency, which extends to 1996. Payments are based on the number of tickets sold; there are no minimum payments.

NATIONAL ARTS CENTRE CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 1989—*Concluded*

12. Related party transactions

In addition to the rental of the NAC complex, provided free of charge by the Government of Canada, the Corporation receives audit services without charge from the Office of the Auditor General of Canada.

During the year, in the normal course of business, the Corporation incurred expenses totalling $794,231 ($730,204 in 1988) for utility, ground maintenance, snow removal and telephone services provided by other government departments and agencies.

13. Comparative figures

Certain figures for the year ended August 31, 1988 have been reclassified to conform to the presentation adopted for the year ended August 31, 1989.

NATIONAL ARTS CENTRE CORPORATION—*Continued*

SCHEDULE OF REVENUE AND EXPENSES—PERFORMING ARTS PROGRAMMES
FOR THE YEAR ENDED AUGUST 31, 1989

	Dance		Variety		Special events	
	1989	1988	1989	1988	1989	1988
	$	$	$	$	$	$
Revenue						
Box office	1,279,136	1,042,107	4,548,690	2,717,354	3,950	
Co-productions						
Tours						
Broadcasts						
Sponsorships						
Other	670	95,594	3,357	12,280	1,585	2,099
	1,279,806	1,137,701	4,552,047	2,729,634	5,535	2,099
Expenses						
Performers	1,085,777	900,051	3,264,059	1,723,914	76,345	68,024
Technical services	281,219	264,130	570,101	382,966	33,192	58,372
Advertising	205,747	260,525	266,307	230,638	7,750	123,871
Administration	204,855	160,036	195,875	147,348		
Wardrobe						
Other artistic services						
Other production expenses	143,811	223,744	374,728	191,581	8,396	102,333
	1,921,409	1,808,486	4,671,070	2,676,447	125,683	352,600
Excess of expenses over revenue (of revenue over expenses)	641,603	670,785	119,023	(53,187)	120,148	350,501

SCHEDULE OF REVENUE AND EXPENSES—
COMMERCIAL SERVICES
FOR THE YEAR ENDED AUGUST 31, 1989 SCHEDULE 2

	1989	1988
	$	$
Revenue		
Restaurants (Schedule 3)	5,469,965	5,221,658
Garage (Schedule 4)	2,022,138	1,748,711
Boutique (Schedule 5)	104,681	159,103
	7,596,784	7,129,472
Expenses		
Restaurants (Schedule 3)	5,020,808	4,827,788
Garage (Schedule 4)	516,969	503,218
Boutique (Schedule 5)	96,476	174,777
	5,634,253	5,505,783
Excess of revenue over expenses	1,962,531	1,623,689

NATIONAL ARTS CENTRE CORPORATION—*Continued*

SCHEDULE 1

Music		Theatre		Total	
1989	1988	1989	1988	1989	1988
$	$	$	$	$	$
2,413,682	2,041,972	2,266,962	2,155,263	10,512,420	7,956,696
		223,412	209,259	223,412	209,259
206,893	122,550	1,499	272,153	208,392	394,703
186,455	244,277			186,455	244,277
55,050	65,700			55,050	65,700
90,812	47,311	13,707	8,910	110,131	166,194
2,952,892	2,521,810	2,505,580	2,645,585	11,295,860	9,036,829
4,783,747	4,387,726	1,548,232	1,700,141	10,758,160	8,779,856
372,758	402,027	1,171,456	1,060,867	2,428,726	2,168,362
526,993	606,571	551,984	598,193	1,558,781	1,819,798
464,416	440,221	692,079	691,798	1,557,225	1,439,403
38,616	30,275	215,149	419,847	253,765	450,122
46,982	45,926	292,223	268,813	339,205	314,739
183,016	224,949	350,382	391,956	1,060,333	1,134,563
6,416,528	6,137,695	4,821,505	5,131,615	17,956,195	16,106,843
3,463,636	3,615,885	2,315,925	2,486,030	6,660,335	7,070,014

NATIONAL ARTS CENTRE CORPORATION—*Continued*

SCHEDULE OF REVENUE AND EXPENSES—RESTAURANTS
FOR THE YEAR ENDED AUGUST 31, 1989 SCHEDULE 3

	1989			1988		
	Food	Beverage	Total	Food	Beverage	Total
	$	$	$	$	$	$
Sales						
Le Café	1,822,253	678,706	2,500,959	1,678,843	736,611	2,415,454
Catering	1,285,011	551,432	1,836,443	1,142,988	530,461	1,673,449
Bars	2,022	441,588	443,610	631	429,366	429,997
Green Room	142,960		142,960	125,188		125,188
External Affairs	87,681		87,681	93,701		93,701
Total sales	3,339,927	1,671,726	5,011,653	3,041,351	1,696,438	4,737,789
Cost of goods consumed	1,276,505	536,440	1,812,945	1,232,805	530,993	1,763,798
Gross profit	2,063,422	1,135,286	3,198,708	1,808,546	1,165,445	2,973,991
Other revenue						
Recovery of costs—External Affairs and Catering			387,712			413,740
Other			70,600			70,129
Total other revenue			458,312			483,869
Total gross profit and other revenue			3,657,020			3,457,860
Operating and administrative expenses						
Salaries, wages and employee benefits			2,436,721			2,235,242
Supplies and equipment rental			338,018			381,491
Depreciation and amortization			185,979			85,648
Professional services			66,323			71,510
Advertising and promotion			64,633			102,503
Repairs and maintenance			42,426			38,279
Credit card commission			41,104			34,182
Music and entertainment			12,883			28,015
Other			19,776			87,120
Total expenses			3,207,863			3,063,990
Excess of revenue over expenses			449,157			393,870

SCHEDULE OF REVENUE AND EXPENSES—
GARAGE
FOR THE YEAR ENDED AUGUST 31, 1989 SCHEDULE 4

	1989	1988
	$	$
Revenue		
Parking	2,022,138	1,748,711
Expenses		
Salaries, wages and employee benefits	402,714	420,238
Repairs and maintenance	42,722	19,240
Supplies	26,638	20,853
Depreciation and amortization	24,127	24,578
Other	20,768	18,309
	516,969	503,218
Excess of revenue over expenses	1,505,169	1,245,493

SCHEDULE OF REVENUE AND EXPENSES—
BOUTIQUE
FOR THE YEAR ENDED AUGUST 31, 1989 SCHEDULE 5

	1989	1988
	$	$
Revenue		
Sales	104,681	159,103
Expenses		
Cost of goods sold	59,412	112,036
Gross margin	45,269	47,067
General and administration		
Salaries, wages and employee benefits	27,940	49,631
Amortization	2,677	2,677
Advertising and display	212	1,265
Other	6,235	9,168
	37,064	62,741
Total expenses	96,476	174,777
Excess of revenue over expenses (of expenses over revenue)	8,205	(15,674)

NATIONAL ARTS CENTRE CORPORATION—*Concluded*

SCHEDULE OF REVENUE AND EXPENSES—
PROGRAMME SUPPORT SERVICES
FOR THE YEAR ENDED AUGUST 31, 1989 SCHEDULE 6

	1989	1988
	$	$
Revenue		
House program advertising	286,531	251,764
Box Office service charges	129,224	104,858
Other	225,330	157,727
	641,085	514,349
Expenses		
Salaries, wages and employee benefits	3,214,378	2,611,541
Advertising and promotion	451,620	359,258
Office expenses	271,424	262,178
Professional services and expenses	233,069	144,748
Warehouse rent	144,224	101,106
Commissions and service charges	110,454	170,556
Other	90,184	93,552
	4,515,353	3,742,939
Excess of expenses over revenue	3,874,268	3,228,590

SCHEDULE OF EXPENSES—
OPERATION OF THE BUILDINGS
FOR THE YEAR ENDED AUGUST 31, 1989 SCHEDULE 7

	1989	1988
	$	$
Salaries, wages and employee benefits	2,130,736	2,015,134
Utilities	1,165,407	1,031,031
Repairs and maintenance to buildings and equipment	1,042,534	956,276
Depreciation and amortization	673,404	662,476
Professional services and expenses	126,655	133,056
Furniture and equipment	75,346	167,577
Other	108,041	89,735
	5,322,123	5,055,285

SCHEDULE OF EXPENSES—
ADMINISTRATIVE SERVICES
FOR THE YEAR ENDED AUGUST 31, 1989 SCHEDULE 8

	1989	1988
	$	$
Salaries, wages and employee benefits	2,349,765	1,978,066
Professional services and expenses	206,519	239,616
Insurance	125,048	128,301
Office expenses	113,162	126,609
Repairs and maintenance	69,077	72,381
Telecommunications	41,619	36,845
Travel and duty entertainment	34,756	65,452
Advertising and promotion	8,428	32,180
Other	130,567	84,004
	3,078,941	2,763,454

NATIONAL CAPITAL COMMISSION

MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of the National Capital Commission are the responsibility of management and have been approved by the members of the Commission. The financial statements have been prepared by management in accordance with generally accepted accounting principles.

Management has developed and maintains books of account, records, financial and management controls and information systems. These are designed to provide reasonable assurance that the assets are safeguarded and controlled and that transactions are in accordance with Part X of the Financial Administration Act and regulations as well as the National Capital Act and by-laws of the Commission. Internal audits are conducted to assess these systems and practices.

The members of the Commission carry out their responsibilities for the financial statements principally through an Audit Committee which consists of members of the Commission only. The Audit Committee meets periodically with management as well as with the internal and external auditors to discuss the results of audit examinations with respect to the adequacy of internal accounting controls and to review and discuss financial reporting matters. The external and internal auditors have full access to the Audit Committee, with and without management being present.

The Commission's external auditor, the Auditor General of Canada, has examined the financial statements. He submits his report to the Minister of Public Works who is responsible for the National Capital Commission.

Jean E. Pigott
Chairman

R. Curry Wood
Vice-President, Controller

AUDITOR'S REPORT

TO THE MINISTER OF PUBLIC WORKS

I have examined the balance sheet of the National Capital Commission as at March 31, 1990 and the statements of operations, equity and changes in cash resources for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Commission as at March 31, 1990 and the results of its operations and the changes in its cash resources for the year then ended in accordance with generally accepted accounting principles applied, after giving retroactive effect to the change in the method of accounting for Parliamentary appropriations to acquire land, buildings and equipment as explained in Note 3 to the financial statements, on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Commission that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with Part X of the Financial Administration Act and regulations, the National Capital Act, and by-laws of the Commission.

Raymond Dubois, F.C.A.
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
June 1, 1990

BALANCE SHEET AS AT MARCH 31, 1990
(in thousands of dollars)

ASSETS	1990	1989
Current		
Cash and short-term deposits (Note 4)	13,327	10,796
Accounts receivable		
Due from Canada	2,643	
Federal government departments and agencies	2,625	597
Tenants and others	1,782	1,238
Operating supplies, small tools and nursery stock	697	828
Prepaid expenses	701	2,517
	21,775	15,976
Land, buildings and equipment (Note 5)	321,938	308,463
	343,713	324,439

LIABILITIES	1990	1989
Current		
Accounts payable and accrued liabilities	33,344	25,666
Holdbacks and deposits from contractors and others	2,047	2,216
	35,391	27,882
Long-term		
Accrued employee termination benefits	6,203	5,434
Unsettled expropriations of property	882	865
Contributions to other levels of government		7,476
	7,085	13,775
EQUITY OF CANADA		
Equity of Canada	301,237	282,782
	343,713	324,439

Approved by the Commission:

JEAN E. PIGOTT
Chairman

IAN A. NUTE
Commissioner

NATIONAL CAPITAL COMMISSION—*Continued*

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 1990
(in thousands of dollars)

	1990	1989
Expenses (Note 6)		
Transcendent	5,319	3,313
Safeguard and Preserve	572	4,037
Communicate Canada	5,956	7,318
Meeting Place	4,527	4,062
Operations/Asset Management	68,874	71,833
Operations/Adminstration	23,576	22,700
	108,824	113,263
Revenues		
Rental operations and easements	10,997	10,006
Interest	1,364	1,177
Net gain on disposal of land, buildings and equipment	7,251	5,502
Long-term lease (Note 4)	9,500	
Other	4,023	2,225
	33,135	18,910
Net cost of operations	75,689	94,353
Parliamentary appropriations for operations (Note 3)	82,028	72,963
Parliamentary appropriations over net cost of operations (excess of net cost of operations over parliamentary appropriations)	6,339	(21,390)

STATEMENT OF CHANGES IN CASH RESOURCES
FOR THE YEAR ENDED MARCH 31, 1990
(in thousands of dollars)

	1990	1989
Operating activities		
Parliamentary appropriations over net cost of operations (excess of net cost of operations over parliamentary appropriations)	6,339	(21,390)
Items not involving cash		
Depreciation	11,760	12,361
Net gain on disposal of land, buildings and equipment	(7,251)	(5,502)
Net change in non-cash working capital balances related to operations	4,241	18,956
Net changes in long-term liabilities	(6,690)	4,975
	8,399	9,400
Investing and financing activities: land, buildings and equipment		
Acquisitions	(28,723)	(29,802)
Parliamentary appropriations	12,116	18,349
Proceeds on disposal	10,739	11,279
	(5,868)	(174)
Increase in cash and short-term deposits	2,531	9,226
Beginning of year	10,796	1,570
End of year	13,327	10,796

STATEMENT OF EQUITY
FOR THE YEAR ENDED MARCH 31, 1990
(in thousands of dollars)

	1990	1989
Balance at beginning of year	282,782	285,823
Parliamentary appropriations over net cost of operations (excess of net cost of operations over parliamentary appropriations) (Note 3)	6,339	(21,390)
Parliamentary appropriations to acquire land, buildings and equipment (Note 3)	12,116	18,349
Balance at end of year	301,237	282,782

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1990

1. Authority and objectives

The National Capital Commission was established in 1958 by the National Capital Act. The Commission is an agent Crown corporation without share capital named in Part I of Schedule III to the Financial Administration Act. The objects and purposes of the Commission, as stated in the National Capital Act, are to:

(a) "prepare plans for and assist in the development, conservation and improvement of the National Capital Region in order that the nature and character of the seat of the Government of Canada may be in accordance with its national significance; and

(b) organize, sponsor or promote such public activities and events in the National Capital Region as will enrich the cultural and social fabric of Canada, taking into account the federal character of Canada, the equality of status of official languages of Canada and the heritage of the people of Canada."

The powers of the Commission were further extended in 1988 to enable the Commission to coordinate the policies and programs of the Government of Canada respecting the organization, sponsorship or promotion by departments of public activities and events related to the National Capital Region.

The Commission is also responsible for the management and maintenance of the official residences located in the National Capital Region.

NATIONAL CAPITAL COMMISSION—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1990—*Continued*

2. Significant accounting policies

(a) Land, buildings and equipment

Land, buildings and equipment are generally recorded at historical cost. Property acquired at nominal cost or by donation is recorded at market value at time of acquisition except for properties of historical significance whose market value cannot be reasonably determined. These are recorded at nominal value. Property acquired by exchange is recorded at the carrying value of the assets disposed of in the transaction. Improvements that extend the useful life of buildings and equipment are recorded at cost.

(b) Depreciation

Depreciation of assets in use is charged to operations in equal annual amounts based on the cost of the assets, their estimated useful life and their final salvage value. Useful life of assets is estimated as follows:

Buildings	20 years
Parkways, roadways and bridges	25 years
Park landscaping and improvement	25 years
Machinery and equipment	7 to 15 years
Office furniture and equipment	5 years
Vehicles	4 to 7 years
Antiques and works of art	10 years

(c) Operating supplies, small tools and nursery stock

Operating supplies and small tools are carried at cost. Nursery stock is valued at estimated replacement cost less an allowance for overhead, balling and packaging expenses.

(d) Pension plan

The Commission's employees participate in the Public Service Superannuation Plan, which is administered by the Government of Canada. Contributions to the Plan are made by both the employees and the Commission on an equal basis. These contributions represent the total pension obligations of the Commission and are recognized in the accounts on a current basis.

(e) Employee termination benefits

Severance pay generally accrues to employees over their service period, and is payable on their separation or retirement. The liability for these benefits is recorded in the accounts as the benefits accrue to the employees.

(f) Parliamentary appropriations

Parliamentary appropriations for operating expenditures, for contributions to other levels of government and other authorities and for grants are used to offset the net cost of operations. Parliamentary appropriations to acquire land, buildings and equipment are credited to equity of Canada.

(g) Workers' compensation

The Commission assumes all risks for workers' compensation claims. The costs of such claims, as a result of injuries on duty, are recorded as expenses in the years compensation payments are due.

3. Change in accounting policy

The Commission has retroactively changed its accounting policy for parliamentary appropriations to acquire land, buildings and equipment.

In previous years these appropriations were included in equity of Canada only to the extent they were used to acquire such assets. The Commission now includes in equity of Canada the full amount of the appropriations received for the acquisition of land, buildings and equipment.

This change in accounting policy has no impact on the balance of equity of Canada. However, the effect of this change has been to decrease by $16.6 million in 1990 ($11.5 million in 1989) the amount of parliamentary appropriations to acquire land, buildings and equipment credited directly to the equity of Canada, and to increase accordingly the parliamentary appropriations used to offset the net cost of operations.

4. Cash and short-term deposits

The Commission has received Treasury Board authority to dispose of surplus properties. The authority provides for the use of the proceeds therefrom less related disposal expenses for the acquisition of properties essential to the Commission's mandate.

Also, under Governor in Council authority, the Commission has leased a property for 99 years. Rent for the term of the lease has been received in one payment at the beginning of the lease. The authority provides for the use of revenue from this transaction for the acquisition of environmentally sensitive lands.

Cash and short-term deposits include a balance of $6.1 million remaining from the above transactions as follows:

	Environmentally sensitive lands	Others	Total
	(in thousands of dollars)		
Proceeds	9,500	10,093	19,593
Acquisitions	(7,389)	(6,119)	(13,508)
Cash available	2,111	3,974	6,085

5. Land, buildings and equipment

	1990			1989
	Historical cost	Accumulated depreciation	Net book value	Net book value
	(in thousands of dollars)			
Land and buildings				
Greenbelt	66,051	17,157	48,894	39,069
Gatineau Park	26,395	5,707	20,688	16,002
Parkways	103,079	40,347	62,732	64,051
Parks	28,812	11,968	16,844	16,908
Bridges and approaches	28,316	15,007	13,309	13,699
Historical sites	26,556	10,802	15,754	12,392
Recreational facilities	18,516	8,230	10,286	9,196
Rental properties	111,726	12,296	99,430	102,097
Development properties	20,877	1,039	19,838	19,934
Unsettled expropriations	882		882	1,036
Administrative and service buildings	13,698	7,407	6,291	6,380
	444,908	129,960	314,948	300,764
Less provision for transfers*	1,838		1,838	1,838
	443,070	129,960	313,110	298,926
Equipment				
Machinery and equipment	4,241	2,026	2,215	2,544
Office furniture and equipment	12,024	8,330	3,694	4,216
Vehicles	4,428	2,019	2,409	2,375
Antiques and works of art	1,192	682	510	402
	21,885	13,057	8,828	9,537
	464,955	143,017	321,938	308,463

*Provision for transfers pertains to property to be transferred in accordance with agreements with the Province of Quebec. This includes lands to be given free of charge for the approaches to the MacDonald-Cartier Bridge and lands to be transferred for $1 and to be used as a right-of-way to Highway 550.

NATIONAL CAPITAL COMMISSION—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1990—*Continued*

6. Expenses

(a) Summary of expenses by major classification

	1990	1989
	(in thousands of dollars)	
Salaries and employee benefits	45,557	43,121
Goods and services	28,435	30,614
Grants in lieu of municipal taxes	11,632	12,254
Contributions	11,440	14,913
Depreciation	11,760	12,361
	108,824	113,263

(b) Sector definitions and objectives

The Commission uses six sectors to structure its activities. Short, medium and long-term objectives linked to the mandate and mission have been developed for each. The following provides the long-term objectives established for each sector:

Transcendent

To guide, facilitate and provide input and direction to the formulation and implementation of National Capital Commission programs to ensure the Commission's objectives are met.

Safeguard and Preserve

To safeguard and preserve the Capital and its assets for future generations.

Communicate Canada

To provide programs that present the past, present and future of Canada and that increase understanding of the country through the Capital.

Meeting Place

To implement programs that provide opportunities to bring Canadians together in the Capital to increase their knowledge and understanding of the country.

Operations/Asset Management

To manage the real property assets of the Corporation efficiently and effectively in accordance with their importance to the Capital.

Operations/Administration

To manage the resources of the Corporation efficiently and effectively and to provide services that allow the Commission to meet its objectives.

7. Major commitments

(a) The Commission is committed to contribute to the Province of Quebec, one-half of the cost of a road network within the Quebec portion of the National Capital Region. The Commission's remaining commitment to be paid over future years is estimated at $73.6 million but is payable only if funding is approved by the Treasury Board of Canada. The Treasury Board has authorized expenditures of $160.2 million for the Quebec road network. As of March 31, 1990, payments have totalled $136.2 million. Unpaid billings owing to the Province of Quebec amounted to $15.2 million and are recorded in the accounts of the Commission.

(b) The Commission has entered into agreements for computing services and leases of equipment and office space. Minimum annual payments under these agreements are approximately as follows:

	(in thousands of dollars)
1990-91	3,356
1991-92	3,160
1992-93	2,445
1993-94	22
	8,983

(c) The Province of Quebec has expropriated certain lands in the City of Hull on behalf of the Commission. An amount of $1.25 million will be payable in exchange of appropriate title documents.

(d) The Commission has entered into contracts for capital expenditures estimated to cost approximately $4.2 million. Payments under these contracts are expected to be made in 1990-91.

8. Contingencies

(a) Claims

Claims and potential claims have been made against the Commission totalling approximately $33.2 million for alleged damages and other matters. The final outcome of these claims is not determinable and accordingly these items are not recorded in the accounts. However, in the opinion of management, the position of the Commission is defensible. Settlements, if any, resulting from the resolution of these claims will be accounted for in the year in which the settlements occur.

(b) Agreement with the Province of Ontario

In 1961, the Commission entered into an agreement whereby the Province of Ontario established and maintains 2,761 hectares (6,820 acres) of forest. When the agreement expires in 2011, or is terminated, the Commission will reimburse the Province for the excess of expenses over revenues, or the Province will pay the Commission the excess of revenues over expenses. At March 31, 1989, cumulative expenses exceeded cumulative revenues by $1.1 million, and are not reflected in the accounts of the Commission.

9. Related party transactions

The Commission is related in terms of common ownership to all Government of Canada created departments, agencies and Crown corporations and is mainly financed by the Parliament of Canada.

(a) Canada Museums Construction Corporation Inc.

The Commission has permitted the Canada Museums Construction Corporation Inc. to undertake the construction of the Canadian Museum of Civilization on Commission lands. The Commission is in the process of transferring the lands in question to Public Works Canada in exchange for other properties of equal value.

NATIONAL CAPITAL COMMISSION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1990—*Concluded*

(b) Canadian Museum of Contemporary Photography

The Commission and the National Museums of Canada are sharing costs for the construction of the Canadian Museum of Contemporary Photography on Commission lands. Total shared construction costs are estimated at $17 million of which the Commission's share is $13 million. As at March 31, 1990 payments on this project have totalled $845,000. The Commission has received Governor in Council authority to lease the completed building to the National Museums of Canada for a term of 49 years.

(c) Public Works Canada

Public Works Canada acts as an agent for the Commission with respect to sales of properties which are surplus to the Commission's needs. Fees charged are based on standard rates set by Public Works Canada. The Commission has also entered into an agreement with Public Works Canada, whereby the latter will, with respect to the official residences, provide certain property services at rates established with the Commmission and approved by the Treasury Board of Canada.

10. Comparative figures

Certain of the 1989 comparative figures have been reclassified to conform to the current year's presentation and to give effect to the change in accounting policy in Note 3.

OLD PORT OF MONTREAL CORPORATION INC.

AUDITOR'S REPORT

TO THE MINISTER OF PUBLIC WORKS

I have examined the balance sheet of the Old Port of Montreal Corporation Inc. as at March 31, 1990 and the statements of transactions and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1990 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with Part X of the Financial Administration Act and regulations, the charter and by-laws of the Corporation, as well as the agreement between the Corporation and Her Majesty in Right of Canada represented by the Minister of Public Works.

Raymond Dubois, F.C.A.
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
June 8, 1990

BALANCE SHEET AS AT MARCH 31, 1990

ASSETS	1990	1989	LIABILITIES	1990	1989
	$	$		$	$
Current			Current		
Cash	2,549,204	1,715,011	Accounts payable	1,069,733	1,330,672
Accounts receivable	203,016	120,396	Due to Minister of Public Works (Note 3)	1,321,505	315,103
Prepaid expenses	35,782	3,925	Due to Receiver General for Canada (Note 4)	179,392	29,867
				2,570,630	1,675,642
			Provision for employee termination benefits	217,372	163,690
			SHAREHOLDER'S EQUITY		
			Capital stock (Note 5)		
	2,788,002	1,839,332		2,788,002	1,839,332

Approved by the Board:

ROGER BEAULIEU
Director

BENOIT LEMAY
Director

OLD PORT OF MONTREAL CORPORATION INC.—*Continued*

STATEMENT OF TRANSACTIONS
CARRIED OUT AS AGENT AND ON BEHALF OF THE
MINISTER OF PUBLIC WORKS
FOR THE YEAR ENDED MARCH 31, 1990

	1990	1989
	$	$
Expenditures		
Operating		
Permanent personnel	1,775,807	1,188,367
Maintenance of property and space rentals	1,546,633	1,551,994
Animation programs	948,330	812,626
Administration	656,730	484,498
Communications	282,512	88,604
Professional services	268,122	256,572
	5,478,134	4,382,661
Capital (including $337,248 in 1990 and $82,923 in 1989 for archeological researches)	2,176,692	4,249,750
Total expenditures	7,654,826	8,632,411
Proceeds from other than the direct use of fixed assets		
Income produced by animation programs		
Programs carried out by the Corporation	3,758,065	3,077,515
Less royalties to third parties	2,708,000	2,314,562
	1,050,065	762,953
Parking	923,144	614,698
Concessions	353,814	351,650
Other	24,364	22,526
	2,351,387	1,751,827
Interest, related principally to the receipt of parliamentary appropriations in advance of disbursements	254,691	111,611
	2,606,078	1,863,438
Net expenditures to be funded (Note 3)	5,048,748	6,768,973
Cumulative net expenditures since November 26, 1981	76,232,970	71,184,222
Proceeds from the direct use of fixed assets		
Income to be remitted (Note 4)		
Parking	468,700	265,736
Mooring and anchoring	47,006	23,993
Rentals	39,784	89,660
Proceeds from disposal of fixed assets	70,000	
	625,490	379,389
Cumulative direct proceeds since November 26, 1981	1,901,724	1,276,234
Excess of net expenditures over direct proceeds		
For the year	4,423,258	6,389,584
Cumulative since November 26, 1981	74,331,246	69,907,988

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1990

	1990	1989
	$	$
Operating activities		
Transactions carried out as agent and on behalf of the Minister of Public Works		
Operating expenditures	(5,478,134)	(4,382,661)
Proceeds from other than the direct use of fixed assets	2,606,078	1,863,438
Proceeds from the direct use of fixed assets	625,490	379,389
Remittances to the Consolidated Revenue Fund	(475,965)	(370,704)
	(2,722,531)	(2,510,538)
Increase in accounts receivable	(82,620)	(9,985)
Decrease (increase) in prepaid expenses	(31,857)	339,845
Increase (decrease) in accounts payable	(260,939)	453,441
Incease in the provision for employee termination benefits	53,682	120,271
	(3,044,265)	(1,606,966)
Investing activities		
Capital expenditures carried out as agent and on behalf of the Minister of Public Works	(2,176,692)	(4,249,750)
Financing activities		
Parliamentary appropriation	6,055,150	7,301,925
Cash		
Increase for the year	834,193	1,445,209
Balance at beginning of the year	1,715,011	269,802
Balance at end of the year	2,549,204	1,715,011

NOTES TO FINANCIAL STATEMENTS
AS AT MARCH 31, 1990

1. Authority and activities

Canada Lands Company (Le Vieux-Port de Montréal) Limited was incorporated on November 26, 1981 under the Canada Business Corporations Act and is a wholly-owned subsidiary of Canada Lands Company Limited, a Crown corporation named in Part I of Schedule III to the Financial Administration Act. On September 27, 1989, the name of the Corporation was amended to become Old Port of Montreal Corporation Inc.

Effective February 1, 1982, pursuant to an agreement between the Corporation and Her Majesty in Right of Canada represented by the Minister of Public Works, the Corporation is responsible for developing and for promoting the development of the lands of the Old Port of Montreal, and for administering, managing, and maintaining the property of Her Majesty located therein. The Corporation fulfills this responsibility in the name and for the account of the Minister of Public Works who continues to hold title to the fixed assets for the benefit of Her Majesty.

OLD PORT OF MONTREAL CORPORATION INC.—*Concluded*

NOTES TO FINANCIAL STATEMENTS
AS AT MARCH 31, 1990—*Concluded*

2. Significant accounting policies

(a) Financial statements presentation

The financial statements present transactions carried out by the Corporation as agent and on behalf of the Minister of Public Works. All expenditures, net of proceeds from other than the direct use of fixed assets, are reimbursable to the Corporation. Proceeds from the direct use of fixed assets are payable to the Receiver General for Canada.

Differences between parliamentary appropriations received and net reimbursable expenditures are recorded by the Corporation as due from or due to the Minister of Public Works.

(b) Expenditures of a capital nature

Expenditures of a capital nature represent costs which significantly increase the value or extend the useful lives of properties administered by the Corporation. They also include costs of demolishing structures.

(c) Employee termination benefits

On termination of employment, employees of the Corporation are entitled to certain benefits provided for under the salary administration policy of the Corporation. The cost of these benefits is recorded in the year in which they are earned by the employees.

(d) Retirement savings plan

The Corporation has established a group retirement savings plan under which a single trust was established with a private sector organization in order to accumulate contributions to provide a retirement income for the employees through individually registered retirement savings plans. All contributions are paid by the employees, the Corporation acting solely as an agent without incurring any liability.

3. Due to Minister of Public Works

	1990	1989
	$	$
Balance at beginning of the year	315,103	(217,849)
Net expenditures	(5,048,748)	(6,768,973)
	(4,733,645)	(6,986,822)
Less:		
Funds drawn from Department of Public Works for Canada Lands Company (Le Vieux-Port de Montréal) Limited		
Vote 20 in 1989-90	6,055,150	
Vote 30 in 1988-89		7,301,925
Balance at end of the year	1,321,505	315,103

4. Due to Receiver General for Canada

	1990	1989
	$	$
Balance at beginning of the year	29,867	21,182
Direct proceeds	625,490	379,389
	655,357	400,571
Remittances to the Consolidated Revenue Fund	(475,965)	(370,704)
Balance at end of the year	179,392	29,867

5. Capital stock

The Corporation is authorized to issue a single share, to be held in trust for Her Majesty in Right of Canada, which may not be transferred without the consent of the Governor in Council. The authorized share has been issued in consideration of services rendered.

6. Commitments

As at March 31, 1990, the commitments for the leasing of lands and buildings and for the development of the lands totalled $985,368 ($535,376 as at March 31, 1989).

7. Contingent liability

As operator of the Expotec/Imax program, the Corporation has committed itself to take charge of the contingent liability which may result from a litigation between a municipal corporation and a services supplier. The Corporation considers that this lawsuit is ill-founded and consequently no provision has been recorded as at March 31, 1990. Any payment resulting from this commitment would be charged to the year during which the Corporation would actually be compelled to pay. As at March 31, 1990, the Corporation estimates this contingent liability to be approximately $700,000.

PACIFIC PILOTAGE AUTHORITY

AUDITOR'S REPORT

TO THE MINISTER OF TRANSPORT

I have examined the balance sheet of Pacific Pilotage Authority as at December 31, 1989 and the statements of operations, retained earnings and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Authority as at December 31, 1989 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Authority that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with Part X of the Financial Administration Act and regulations, the Pilotage Act and regulations and the by-laws of the Authority.

Raymond Dubois, F.C.A.
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
February 9, 1990

BALANCE SHEET AS AT DECEMBER 31, 1989
(in thousands of dollars)

ASSETS	1989	1988
Current		
Cash and short-term deposit	965	1,150
Accounts receivable	2,584	2,531
Prepaid expenses	44	54
	3,593	3,735
Property and equipment (Note 3)	673	717
	4,266	4,452

LIABILITIES	1989	1988
Current		
Accounts payable and accrued liabilities	1,511	1,287
Long-term		
Accrued employee termination benefits	455	410
Obligation under capital lease (Note 4)	26	
	481	410
	1,992	1,697
EQUITY OF CANADA		
Contributed capital	806	806
Retained earnings	1,468	1,949
	2,274	2,755
	4,266	4,452

Approved by the Authority:

R. SMITH
Chairman

J.A. HORNE
Member

PACIFIC PILOTAGE AUTHORITY—*Continued*

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 1989
(in thousands of dollars)

	1989	1988
Revenues		
Pilotage charges	25,168	27,092
Interest and other income	171	141
	25,339	27,233
Expenses		
Contract pilots' fees	17,441	18,828
Operating costs of pilot boats	2,883	2,740
Transportation and travel	2,604	2,633
Staff salaries and benefits	1,256	1,220
Pilots' salaries and benefits	769	775
Professional and special services	189	170
Rentals	167	164
Utilities, materials and supplies	153	122
Depreciation (Note 3)	111	224
Computer software costs	110	104
Communications	83	91
Repairs and maintenance	46	19
Interest on capital lease	8	
Other		7
	25,820	27,097
Net income (loss) for the year	(481)	136

STATEMENT OF RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 1989
(in thousands of dollars)

	1989	1988
Appropriated		
Balance at beginning and end of the year	500	500
Unappropriated		
Balance at beginning of the year	1,449	1,313
Net income (loss) for the year	(481)	136
Balance at end of the year	968	1,449
	1,468	1,949

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1989
(in thousands of dollars)

	1989	1988
Operating activities		
Net income (loss) for the year	(481)	136
Items not affecting cash		
Depreciation	111	224
Gain on sale of property and equipment		(7)
Employee termination benefits	45	72
Change in operating components of working capital	180	(270)
Cash provided from (required for) operating activities	(145)	155
Investing activities		
Additions to property and equipment	(66)	(123)
Proceeds from disposal of equipment		16
Financing activities		
Increase in long-term obligation under capital lease	26	
Increase (decrease) in cash	(185)	48
Cash and short-term deposit at beginning of the year	1,150	1,102
Cash and short-term deposit at end of the year	965	1,150

PACIFIC PILOTAGE AUTHORITY—*Concluded*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1989

1. Authority and objectives

The Pacific Pilotage Authority was established in 1972 pursuant to the Pilotage Act. The objectives of the Authority are to establish, operate, maintain and administer a safe and efficient pilotage service within designated Canadian waters. The Act further provides that the tariffs of pilotage charges shall be fair and reasonable and consistent with providing a revenue, together with any revenue from other sources, sufficient to permit the Authority to operate on a self-sustaining financial basis.

Pilotage services on the Fraser River are provided by employee pilots and in other coastal waters under a contract with a local licensed pilots' company.

The Authority is a Crown corporation named in Part I of Schedule III to the Financial Administration Act and is not subject to any income taxes.

2. Significant accounting policies

Capital leases

Under the terms of certain lease agreements the Authority assumes the rights and obligations of ownership. These leases are treated as capital leases. An asset and an obligation are recorded at an amount equal to the market value of the asset at the beginning of the lease. The obligation is reduced each year by the principal portion of the lease payments and the interest portion is charged to expense.

Depreciation

Depreciation of property and equipment is calculated on a straight-line basis and is based on the estimated useful lives of the assets as follows:

Buildings	20 years
Pilot boats	25 years
Equipment—Communication and other	10 years
—Computer	5 years
Leasehold improvements	15 years

Employee termination benefits

Employees are entitled to specified benefits on termination as provided for under labour contracts and conditions of employment. The liability for these payments is recorded in the accounts as the benefits accrue to the employees.

Contributed capital

Amounts representing the values assigned to property and equipment transferred from Canada in 1972 and the cost of any property and equipment financed from parliamentary appropriations are shown as contributed capital.

Retained earnings

Amounts are appropriated from time to time by the Authority to provide for extraordinary costs arising from renewal or acquisition of fixed assets and for contingencies.

Pension plan

All employees are covered by the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the Plan are required from both the employee and the Authority. These contributions represent the total liability of the Authority and are recognized in the accounts on a current basis.

3. Property and equipment

	1989	1988
	(in thousands of dollars)	
Buildings	40	40
Pilot boats	1,202	1,201
Equipment—Communication and other	640	627
—Computer	343	292
Leasehold improvements	60	58
	2,285	2,218
Accumulated depreciation	1,612	1,501
	673	717

The above assets include in 1989 a computer under a capital lease at a total value of $43,375 less accumulated depreciation of $8,671.

A change in the estimated service life of pilot boats from 20 years to 25 years has resulted in a reduction of $32,603 to depreciation expense in the current year.

4. Obligation under capital lease

	1989	1988
	(in thousands of dollars)	
Total minimum payments under 18% capital lease agreement due February 1994, payable in blended monthly payments of $1,094	55	
Amount representing interest	(16)	
Balance of obligation	39	
Current portion	(13)	
Long-term portion	26	

The Authority has an option to purchase the computer, at any time, at a price to be determined when the option is exerciced.

5. Commitments

The Authority has a long-term operating lease obligation for office accommodation aggregating $867,600 to December 31, 1999 at a base annual rent of $86,760. The obligation also calls for pro-rata share of operating costs estimated at $22,750 for 1990.

The Authority has an operating lease agreement for the services of a manned pilot boat with a guaranteed annual rental of $58,000 until December 31, 1990, plus operating expenses. Until that date, the Authority holds an option to purchase the boat at a price to be determined if the option is exercised.

PETRO-CANADA

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The financial statements have been prepared by management in accordance with generally accepted accounting principles appropriate in the circumstances. Management is responsible for the other information in the Annual Report, which is consistent, where applicable, with that contained in the financial statements. Management is also responsible for installing and maintaining a system of internal control to provide reasonable assurance that reliable financial information is produced. The Corporation has an internal audit department whose functions include reviewing the system of internal control to ensure that it is adequate and functioning properly.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board exercises its responsibilities through the Audit Committee of the Board, a majority of which is composed of directors who are not employees of the Corporation. The committee meets with management, the internal auditors and the external auditors to satisfy itself that responsibilities are properly discharged and to review the financial statements.

The external auditors conduct an independent examination, in accordance with generally accepted auditing standards, and express their opinion on the financial statements. Their examination includes a review and evaluation of the Corporation's system of internal control and appropriate tests and procedures to provide reasonable assurance that the financial statements are presented fairly. The external auditors have full and free access to the Audit Committee of the Board.

AUDITORS' REPORT

TO THE HONOURABLE JAKE EPP, P.C., M.P.
MINISTER, ENERGY, MINES AND RESOURCES CANADA
HOUSE OF COMMONS, OTTAWA, ONTARIO

We have examined the consolidated balance sheets of Petro-Canada (incorporated by Special Act of the Parliament of Canada) as at December 31, 1989 and 1988 and the related consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation as at December 31, 1989 and 1988 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied, after giving retroactive effect to the change in the method of accounting for oil and gas exploration, development and production activities as explained in Note 2 to the consolidated financial statements, on a consistent basis.

Further, we have examined the transactions of the Corporation and its consolidated wholly owned subsidiaries that came to our notice in the course of the above mentioned examinations, to determine whether they were in accordance with Part X of the Financial Administration Act, the regulations, the charter and by-laws of the Corporation and its consolidated wholly owned subsidiaries and any directives given to the Corporation pursuant to the Act. Our examinations of these transactions were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances. In our opinion, these transactions were, in all significant respects, in compliance with the authorities specified.

Arthur Andersen & Co.
Chartered Accountants

Calgary, Canada
February 22, 1990

CONSOLIDATED BALANCE SHEET
AS AT DECEMBER 31, 1989
(stated in millions of dollars)

ASSETS	1989	1988 (Restated) (Note 2)
Current assets		
Cash and short-term deposits	27	84
Accounts receivable	807	734
Inventories (Note 8)	677	560
Income taxes recoverable	34	36
Prepaid expenses	45	41
	1,590	1,455
Investments (Note 9)	467	539
Property, plant and equipment, net (Note 10)	4,668	4,675
Deferred charges (Note 11)	93	83
	6,818	6,752

LIABILITIES AND SHAREHOLDER'S EQUITY	1989	1988 (Restated) (Note 2)
Current liabilities		
Short-term notes payable	710	968
Accounts payable and accrued liabilities	875	765
Current portion of long-term debt	6	6
	1,591	1,739
Long-term debt (Note 12)	1,232	1,036
Deferred credits (Note 13)	231	213
Deferred income taxes	1,006	1,037
Shareholder's equity (Note 14)	2,758	2,727
	6,818	6,752

Approved on behalf of the Board:

W.H. HOPPER
Director

JOCELYNE PELCHAT
Director

PETRO-CANADA—*Continued*

CONSOLIDATED STATEMENT OF EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 1989
(stated in millions of dollars)

	1989	1988
		(Restated) (Note 2)
Revenue		
Operating	4,852	4,669
Investment and other income	165	132
	5,017	4,801
Expenses		
Crude oil and product purchases	1,977	1,939
Marketing, general and administrative	972	891
Producing and refining	814	777
Exploration	98	114
Depreciation, depletion and amortization	401	536
Federal sales and other taxes	384	383
Interest on long-term debt	101	71
Other interest	101	60
	4,848	4,771
Earnings before undernoted items	169	30
Provision for income taxes (Note 3)		
Current	47	52
Deferred	37	(11)
	84	41
Earnings (loss) before extraordinary item and dividends on redeemable preferred shares	85	(11)
Extraordinary item (Note 4)	54	22
Net earnings (loss) before dividends on redeemable preferred shares	31	(33)
Dividends on redeemable preferred shares (Note 5)		10
Net earnings (loss) after dividends on redeemable preferred shares	31	(43)

CONSOLIDATED STATEMENT OF RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 1989
(stated in millions of dollars)

	1989	1988
		(Restated) (Note 2)
Retained earnings (deficit) at beginning of year	(1,434)	(1,340)
Transfer from contributed surplus (Note 14)	1,434	
Net earnings (loss) before dividends on redeemable preferred shares	31	(33)
Dividends on redeemable preferred shares		(10)
Exchange adjustment on redemption of redeemable preferred shares		(51)
Retained earnings (deficit) at end of year	31	(1,434)

CONSOLIDATED STATEMENT OF CHANGES
IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1989
(stated in millions of dollars)

	1989	1988
		(Restated) (Note 2)
Internally generated cash		
Working capital provided from operations (Note 6)	569	624
Proceeds from sale of assets	118	22
Advances on future natural gas deliveries	(26)	(23)
Internally generated cash from operations	661	623
(Increase) decrease in operating working capital (Note 7)	(185)	203
	476	826
Investment activities		
Expenditures on property, plant and equipment and exploration	567	799
(Decrease) increase in investments, net	(76)	52
Increase in deferred charges, net	18	18
	509	869
Financing activities and dividends		
Proceeds from issue of long-term debt	240	361
(Decrease) increase in short-term notes payable, net	(258)	655
Reduction of long-term debt	(6)	(6)
Redemption of redeemable preferred shares		(883)
Dividends on redeemable preferred shares		(10)
	(24)	117
(Decrease) increase in cash	(57)	74
Cash and short-term deposits at beginning of year	84	10
Cash and short-term deposits at end of year	27	84

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1989
(stated in millions of dollars)

1. Summary of significant accounting policies

(a) Basis of consolidation

The Consolidated financial statements include the accounts of Petro-Canada, an agent of Her Majesty in right of Canada, and of all subsidiary companies ("the Corporation") except Canertech Inc., which is excluded for the reason described in Note 9.

The excess of the consideration paid for the shares of subsidiaries over the underlying net book values at the dates of acquisition is attributed to the related assets acquired and is amortized over the life of these assets.

(b) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost of crude oil, refined products and merchandise is determined on a "first-in, first-out" basis.

(c) Investments

The Corporation accounts for investments in companies over which it has significant influence on the equity method. Other long-term investments are accounted for on the cost method.

PETRO-CANADA—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1989—*Continued*

(d) Property, plant and equipment

The Corporation accounts for its investment in exploration and development activities on the successful efforts method (Note 2). Under this method the acquisition cost of unproved acreage is capitalized. Costs of exploratory wells are initially capitalized pending determination of proved reserves and costs of wells which are assigned proved reserves remain capitalized while costs of unsuccessful wells are charged to earnings. All other exploration costs are charged to earnings as incurred. Development costs, including the cost of all wells, are capitalized.

Substantially all of the Corporation's exploration and development activities are conducted jointly with others. Only the Corporation's proportionate interest in such activities is reflected in the financial statements.

The interest cost of debt attributable to the construction of major new facilities is capitalized during the construction period.

Overburden removal costs relating to oil sands which will be mined in future years are deferred and are charged to earnings when the related oil sands are mined.

(e) Depreciation, depletion and amortization

The carrying amounts of significant unproved properties are evaluated periodically for impairment with any such impairment being charged to earnings. The cost of other unproved properties is amortized over their average holding period.

Depreciation and depletion of capitalized costs of oil and gas producing properties is calculated using the unit of production method. The Corporation applies a "ceiling test" to capitalized costs in each individual field to ensure that such costs do not exceed the fair market value of the related proved reserves.

Depreciation of other plant and equipment is provided on either the unit of production method or the straight line method as appropriate. Straight line depreciation rates are based on the estimated service lives of the related assets.

(f) Income taxes

The Corporation makes full provision for income taxes deferred as the result of claiming depreciation, exploration, development and other costs for income tax purposes which differ from the related amounts charged to earnings.

(g) Translation of foreign currency

Current assets, except inventories and prepaid expenses, current liabilities and long-term debt are translated at rates of exchange in effect at the balance sheet date. Long-term assets, inventories, prepaid expenses, deferred income taxes, redeemable preferred shares and revenue and expense items are translated at rates of exchange in effect at the respective transaction dates. Depreciation, depletion and amortization expense reflects rates of exchange in effect when the related assets were acquired.

The resulting exchange gains or losses are included in earnings, except for unrealized exchange gains or losses arising on translation of long-term debt, which are deferred and amortized over the remaining term of the debt.

Foreign operations are integrated with the Corporation's other activities and are translated in the manner described above.

(h) Postemployment benefits

In addition to its pension plans the Corporation provides for other postemployment benefits, including health, dental and life insurance, to its qualifying retirees. The cost of these benefits is charged to earnings when paid by the Corporation.

2. Change in accounting policy

Effective January 1, 1989 the Corporation retroactively adopted the successful efforts method of accounting for its investment in exploration and development activities (Note 1(d) and (e)). Previously the Corporation had followed the full cost method of accounting. This change, which increased 1989 net earnings by $19 million, resulted in the following adjustments to previously reported 1988 amounts.

1988 Balances	Balance as previously reported	Adjustment	Balance as restated
Opening retained earnings (deficit)	(289)	(1,051)	(1,340)
Property, plant and equipment, net	6,534	(1,859)	4,675
Deferred income taxes	1,708	(671)	1,037
Closing retained earnings (deficit)	(246)	(1,188)	(1,434)
Net earnings (loss) after dividends on redeemable preferred shares	94	(137)	(43)

3. Income taxes

The provision for income taxes of $84 million (1988—$41 million) represents an effective rate of 49.7% (1988—136.7%) on earnings before income taxes of $169 million (1988—30 million). The computation of the provision, which requires adjustment to earnings before income taxes for non-taxable and non-allowable items, is as follows:

	1989	1988
Earnings before income taxes	169	30
Add (deduct)		
Royalties and other payments to provincial governments	137	135
Federal allowances		
Resource allowances	(111)	(107)
Tax depletion	(41)	(8)
Non-deductible depreciation, depletion and amortization	82	90
Non-taxable gains	(7)	(14)
Equity in earnings of affiliates	(31)	(21)
Other	(8)	4
Earnings as adjusted before income taxes	190	109
Canadian Federal income tax at 39.5% (1988—42.4%) applied to earnings as adjusted	75	46
Provincial and other income taxes, net of federal abatement	14	
Provincial income tax rebates	(5)	(5)
Provision for income taxes	84	41

PETRO-CANADA—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1989—*Continued*

4. Extraordinary item

During 1989 the Corporation commenced an internal reorganization program which resulted in a staff reduction. The cost of this program, in the amount of $54 million (after deducting related income taxes of $38 million) was charged to 1989 earnings.

During 1988 the Corporation wrote down the carrying value of its investment in Sedpex Inc. (Note 9) due to uncertain dayrates and low utilization of offshore drilling rigs. The amount of this charge to earnings was $22 million including related income taxes of $2 million.

5. Redeemable preferred shares

During 1988 a subsidiary redeemed 7,092,983 shares for a consideration of U.S. $709 million. The 1988 redemption comprised virtually all the remaining outstanding shares.

6. Working capital provided from operations

	1989	1988
Earnings (loss) before extraordinary item and dividends on redeemable preferred shares	85	(11)
Add (deduct)		
Depreciation, depletion and amortization	401	536
Exploration expense	98	114
Deferred income taxes	37	(11)
(Gain) loss on sale of assets	(37)	2
Equity earnings, net of dividends received	(6)	2
Other	(9)	(8)
	569	624

7. (Increase) decrease in operating working capital

	1989	1988
Accounts receivable	(73)	158
Inventories	(117)	161
Income taxes recoverable	2	(32)
Prepaid expenses	(4)	12
Accounts payable and accrued liabilities	110	(99)
Extraordinary item	(92)	
Other	(11)	3
	(185)	203

Operating working capital is comprised of working capital other than cash and short-term deposits, short-term notes payable and current portion of long-term debt.

8. Inventories

	1989	1988
Crude oil, refined products and merchandise	615	495
Materials and supplies	62	65
	677	560

9. Investments

	1989	1988
At equity		
Westcoast Energy Inc.	293	269
Petro-Canada Centre	94	189
Sedpex Inc.	18	18
Other	24	22
At cost		
Mortgages and other investments	38	41
	467	539

Westcoast Energy Inc. ("Westcoast")

At December 31, 1989 the Corporation held approximately 37% (1988—37%) of the outstanding common shares of Westcoast with a quoted market value of $378 million (1988—$280 million).

Petro-Canada Centre

The Corporation holds 50% of a joint venture which owns Petro-Canada Centre, an office complex in Calgary. The Corporation has entered into a long-term lease for use of a portion of the complex and, as at December 31, 1989, has guaranteed $227 million of long-term debt related to the facility.

Sedpex Inc.

The Corporation holds 50% of the outstanding common shares of Sedpex Inc., a company which owns a semi-submersible drilling vessel.

Canertech Inc. ("Canertech")

The accounts of Canertech, a wholly owned subsidiary company, have been excluded from consolidation because a formal plan exists to dispose of the investment in the subsidiary. In response to a directive by the Government of Canada, the Corporation incorporated Canertech in 1981 to develop alternate energy sources. At that time the Government indicated its intention of purchasing the Corporation's investment at cost and establishing Canertech as an independent Crown corporation. The Corporation is proceeding with the implementation of a Government directive to bring about the dissolution of Canertech. The Corporation's investment in Canertech is carried in the accounts at its original cost of one dollar.

PETRO-CANADA—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1989—*Continued*

10. Property, plant and equipment

	1989			1988			Capital expenditures	
	Cost	Accumulated depreciation, depletion and amortization	Net	Cost	Accumulated depreciation, depletion and amortization	Net	1989	1988
Natural resources								
Oil and gas								
Canada	3,923	2,153	1,770	3,867	2,033	1,834	187	441
Foreign	87	57	30	67	52	15	22	3
Oil sands								
Syncrude project	764	173	591	751	153	598	13	42
Other oil sands	219	219		212	212		7	5
Natural gas liquids	217	103	114	210	89	121	4	4
Other	76	53	23	105	81	24	3	2
	5,286	2,758	2,528	5,212	2,620	2,592	236	497
Refining and marketing	2,700	693	2,007	2,495	550	1,945	208	159
Other property, plant and equipment	322	189	133	299	161	138	25	29
	8,308	3,640	4,668	8,006	3,331	4,675	469	685

Capital expenditures for the year include $ nil (1988—$12 million) of capitalized interest expense.

11. Deferred charges

	1989	1988
At cost		
Oil sands overburden removal costs	43	39
Less portion related to oil sands to be mined within one year	18	17
	25	22
Deferred pension funding	36	27
At amortized cost		
Deferred financing costs	17	17
Other	15	17
	93	83

12. Long-term debt

	Maturity	1989	1988
In Canadian dollars			
8.25% unsecured notes	1993	11	11
In United States dollars			
7.75% unsecured notes (U.S. $12 million)	1993	14	15
LIBOR less 0.8% unsecured notes (U.S. $125 million)	1995	144	149
9% unsecured notes (U.S. $23 million)	1995	26	31
7.25% unsecured debentures (U.S. $200 million)	1996	232	239
9.50% unsecured debentures (U.S. $200 million)	2003	232	239
8.25% unsecured debentures (U.S. $200 million)	2016	232	239
9.70% unsecured debentures (U.S. $100 million)	2018	115	119
8.80% unsecured debentures (U.S. $200 million)	2019*	232	
		1,238	1,042
Less current portion		6	6
		1,232	1,036

*Redeemable in 2004 at the option of the holder thereof.

Repayment of long-term debt

The minimum repayment of long-term in each of the next five years is as follows: 1990—$6 million; 1991—$6 million; 1992—$7 million; 1993—$24 million; 1994—$4 million.

PETRO-CANADA—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1989—*Continued*

13. Deferred credits

	1989	1988
Translation adjustment on long-term debt	114	88
Advances on future natural gas deliveries	69	95
Long-term liabilities	48	30
	231	213

14. Shareholder's equity

Authorized capital

(a) 71,188 common shares with a par value of one hundred thousand dollars each, and

(b) Preferred shares issued to the Government of Canada provided that the amount of such shares together with any loans received, and outstanding, from the Consolidated Revenue Fund of the Government of Canada is not in excess of one billion dollars. These shares have a par value of one dollar each, are redeemable at par at the option of the Corporation, carry no stated rate of dividend and are non-cumulative.

Issued (to the Government of Canada)

	Number of shares	1989	Number of shares	1988
Common shares	17,540	1,754	31,883	3,188
Preferred shares	972,771,853	973	972,771,853	973
Total capital		2,727		4,161
Retained earnings (deficit)		31		(1,434)
		2,758		2,727

Contributed surplus

During 1989 the Board of Directors approved the adoption of the successful efforts method of accounting which resulted in a decrease in retained earnings to a deficit of $1,434 million as at January 1, 1989. It was contemplated that this deficit would be offset against capital, subject to shareholder's approval. On February 21, 1990, His Excellency the Governor General in Council approved the surrender for cancellation of 14,343 common shares. This surrender and cancellation of these shares resulted in a contributed surplus of $1,434 million. Shareholder's equity at December 31, 1989 has been adjusted to give effect to the contributed surplus and its offset against the deficit.

15. Pension plans

The Corporation's plans are defined benefit plans with the benefits generally based upon years of service and average salary during the final years of employment. They are funded by the Corporation based upon the advice of an independent actuary.

Plan status as at December 31:

	1989	1988
Actuarial value of assets	495	445
Pension obligation	470	427
Net pension asset	25	18

The net pension asset is amortized to earnings over the expected average remaining service life of the employees covered by the plans, which is currently 12 years.

Pension funding and expense amounted to $29 million (1988—$32 million) and $17 million (1988—$16 million) respectively.

16. Related party transactions

Transactions with the Government of Canada and its agencies are in the normal course of business and are therefore on the same terms as those accorded to non-related parties.

17. Segmented information

The Corporation operates in two business segments:

Natural resources, comprising: exploration, development, production, transportation and marketing activities for crude oil, natural gas, field liquids, sulphur and oil sands; and extraction of liquids from natural gas.

Refining and marketing, comprising: purchase and sale of crude oil; refining crude oil into oil products; and distribution and marketing of these and other purchased products.

Financial information by business segment is presented in the following table as though each segment were a separate business entity. Inter-segment transfers of products, which are accounted for at market value, are eliminated on consolidation. Corporate and other includes investment income, interest expense and unallocated general corporate revenues and expenditures. Corporate and other assets are principally cash and short-term deposits, investments in other companies and general corporate assets.

PETRO-CANADA—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1989—*Concluded*

	Natural resources		Refining and marketing		Corporate and other		Consolidated	
	1989	1988	1989	1988	1989	1988	1989	1988
Revenue								
Sales to customers and other revenues	502	473	4,442	4,245	73	83	5,017	4,801
Inter-segment sales	640	516						
Segment revenue	1,142	989	4,442	4,245	73	83		
Earnings								
Operating earnings before depreciation, depletion and amortization	518	415	339	336	13	60	870	811
Depreciation, depletion and amortization	(249)	(388)	(147)	(142)	(5)	(6)	(401)	(536)
Exploration expense	(98)	(114)					(98)	(114)
Interest					(202)	(131)	(202)	(131)
Provision for income taxes	(91)	(2)	(88)	(92)	95	53	(84)	(41)
Earnings (loss) before extraordinary item and dividends on redeemable preferred shares	80	(89)	104	102	(99)	(24)	85	(11)
Capital and exploration expenditures								
Property, plant and equipment and exploration expenditures	334	611	208	159	25	29	567	799
Investments			(1)	1	(75)	51	(76)	52
Deferred charges	4	(1)	3	2	11	17	18	18
	338	610	210	162	(39)	97	509	869
Total assets	2,786	2,870	3,394	3,101	638	781	6,818	6,752
Capital employed	2,551	2,650	2,810	2,585	582	752	5,943	5,987

18. Comparative figures

Certain reclassifications have been made to the 1988 comparative figures to conform with the current year's presentation.

19. Commitments and contingencies

Commitments

(a) The Corporation has leased property and equipment under various long-term operating leases for periods up to 2008. The minimum annual rentals for non-cancellable operating leases are estimated at $55 million in 1990, $53 million in 1991, $53 million in 1992, $44 million in 1993, $41 million in 1994 and $23 million per year thereafter until 2008.

(b) Pursuant to an agreement reached on December 11, 1989 with Wetcoast Energy Inc. the Corporation has agreed to purchase the propane business of Inter-City Gas Corporation ("ICG") for a consideration of $265 million plus an earnings adjustment. The purchase is conditional on obtaining certain regulatory approvals and the approval of ICG's shareholders. It is anticipated this transaction will close near the end of the first quarter of 1990.

Contingencies

The Corporation is involved in litigation and claims associated with normal operations. Management is of the opinion that any resulting settlements would not materially affect the financial position of the Corporation.

20. Subsequent events

(a) January 10, 1990 the Corporation sold U.S. $300 million of 8.6% debentures due January 15, 2010. The net proceeds of the sale of approximately $345 million (U.S. $297 million) were used to reduce short-term indebtedness.

(b) On February 20, 1990 the Government of Canada announced its intention to introduce legislation in 1990 to authorize the Corporation to sell share capital to the public. An initial public offering of treasury shares is expected to be followed by further share issues over a number of years. The arrangements for the sale of shares, which have not been finalized, will include changes to the Corporation's capital structure and legal status.

PETRO-CANADA—*Continued*

APPENDIX

CANERTECH INC.

AUDITORS' REPORT

TO THE SHAREHOLDER OF CANERTECH INC.

We have examined the Balance Sheet of Canertech Inc. (a wholly-owned subsidiary of Petro-Canada) as at December 31, 1989 and the Statements of Income and Deficit and Changes in Financial Position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at December 31, 1989 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles, applied on a basis consistent with that of the preceding year.

Burke, Newman & Co.
Chartered Accountants

Winnipeg, Canada
January 26, 1990

BALANCE SHEET DECEMBER 31, 1989
(in thousands of dollars)

ASSETS	1989	1988	LIABILITIES AND SHAREHOLDER'S DEFICIT	1989	1988
Cash and term deposits	15,967	10,388	Accrual for dissolution costs (Notes 4 and 8)	812	348
Other investments (Note 2)	192	4,013	Advances from the Government of Canada (Note 5)	29,550	29,550
Income taxes recoverable (Note 3)	150	150	Shareholder's deficit (Note 6)	(14,053)	(15,347)
	16,309	14,551		16,309	14,551

The accompanying notes are an integral part of this Balance Sheet.

PETRO-CANADA—*Continued*

APPENDIX—*Continued*

CANERTECH INC.—*Continued*

STATEMENT OF INCOME AND DEFICIT
YEAR ENDED DECEMBER 31, 1989
(in thousands of dollars)

	1989	1988
Provision for loss on disposition of Canertech Conservation Inc.		(100)
Interest income net of divestiture and management costs	1,294	1,372
Net income for the year	1,294	1,272
Deficit, beginning of year	(15,347)	(16,619)
Deficit, end of year	(14,053)	(15,347)

The accompanying notes are an integral part of this Statement.

STATEMENT OF CHANGES IN FINANCIAL POSITION
YEAR ENDED DECEMBER 31, 1989
(in thousands of dollars)

	1989	1988
Cash provided by (used for) operating activities		
Net income for the year	1,294	1,272
Less: items not affecting cash		
—Provision for loss on disposition of Canertech Conservation Inc.		100
—Interest implicit in debentures receivable	(393)	(490)
	901	882
Other non-cash item		
Increase (reduction) in accrual for dissolution costs	464	(111)
	1,365	771
Cash provided by investment activities		
Payments received on notes and debentures	1,414	1,045
Proceeds on disposition of Canertech Conservation Inc.	2,800	
	4,214	1,045
Increase in cash and term deposits	5,579	1,816
Cash and term deposits, beginning of year	10,388	8,572
Cash and term deposits, end of year	15,967	10,388

The accompanying notes are an integral part of this Statement.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1989

Order-in-Council

On December 21, 1984, the Government of Canada issued Order-in-Council P.C. 1984-4187 which was subsequently replaced by P.C. 1986-2311 dated October 9, 1986 whereby the parent corporation was authorized to bring about the dissolution of Canertech Inc. and to replace federal Crown ownership of Canertech Conservation Inc., a wholly-owned subsidiary, with other ownership.

1. Significant accounting policy

Consistent with the terms of the Order-in-Council, these financial statements have been prepared on the liquidation basis. Assets have been presented at their estimated net realizable values before costs of dissolution.

2. Other investments

As a result of the disposition of the corporation's investment in Canertech Conservation Inc., the corporation acquired a non-interest bearing debenture receivable. The balance of $5,750,000 was repayable in 46 monthly payments of $125,000 from January 1, 1989 to October 1, 1992. The balance was discounted for the implicit interest of approximately $950,000 and a provision for loss of $1,100,000 had been accrued as of December 31, 1988. On November 2, 1989, the corporation disposed of the above debenture receivable for $2,800,000 resulting in no gain or loss.

The corporation holds a minority interest in Valera Electronics Inc. and several loans receivable acquired as a result of previous disposition of investments. These investments are recorded at their estimated net realizable values before costs of disposition.

The portion of the above receivables due in 1990 is approximately $110,000 ($160,000 in 1988).

3. Income taxes recoverable

This amount represents the recovery of certain Investment Tax Credits.

The benefits resulting from any future income tax reductions have not been recorded in these financial statements.

4. Accrual for dissolution costs

The accrual for dissolution costs represents management's anticipation of the costs to complete the disposition of assets and the settlement of liabilities.

5. Advances from the Government of Canada

The advances are without requirement for interest or repayment. Management anticipates that the corporation will be unable to repay the obligation in its entirety and the Government of Canada will absorb the company's deficit upon dissolution. The corporation has reduced these advances by the $2,250,000 due from Energy, Mines and Resources Canada.

The amount of $2,250,000 arose from the corporation's participation in the Societe Biosyn (Reg'd) joint venture. Prior to the above mentioned Order-in-Council of December 21, 1984, the corporation was to be reimbursed for these amounts by Energy, Mines and Resources Canada. It is anticipated that the ultimate settlement of these amounts will require the direction of the Treasury Board of the Government of Canada and will involve a set-off against the advances from the Government of Canada.

PETRO-CANADA—*Concluded*

APPENDIX—*Concluded*

CANERTECH INC.—*Concluded*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1989—*Concluded*

6. Share capital

    Authorized—An unlimited number of common shares
    Issued and fully paid—1 common share for $1

7. Contingencies

    The corporation is a defendant in legal actions where amounts totalling approximately $77 million are claimed in pleadings filed against the corporation. Management and legal counsel are of the opinion that based upon the facts as presently known to management and legal counsel, these actions will not succeed. In order to resolve the situation, the corporation has reached a conditional settlement agreement. The proposed settlement amount has been provided for in the accrual for dissolution costs.

8. Related party transaction

    The parent company has provided management services to the corporation in the amount of approximately $20,000 in 1989 ($25,367 in 1988). The amount of the cost which remains unpaid as at December 31, 1989 is approximately $20,000 ($25,367 in 1988).

PETRO-CANADA INTERNATIONAL ASSISTANCE CORPORATION

AUDITORS' REPORT

TO THE SHAREHOLDER OF PETRO-CANADA INTERNATIONAL ASSISTANCE CORPORATION

We have examined the balance sheets of Petro-Canada International Assistance Corporation (a wholly-owned subsidiary of Petro-Canada) as at March 31, 1990 and 1989 and the related statements of operations and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1990 and 1989 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles applied on a consistent basis.

Arthur Andersen & Co.
Chartered Accountants

Calgary, Canada
April 25, 1990

BALANCE SHEET AS AT MARCH 31

ASSETS	1990	1989
	$	$
Current assets		
Cash and short-term deposits		574
Income taxes recoverable	372	1,496
Excess of total expenditures over parliamentary appropriations received	3,110,299	3,112,216
	3,110,671	3,114,286

LIABILITIES AND SHAREHOLDER'S EQUITY	1990	1989
	$	$
Current liabilities		
Bank indebtedness	207	
Due to affiliated company, Petro-Canada Inc.	3,110,463	3,114,285
SHAREHOLDER'S EQUITY		
Share capital (Note 3)	1	1
	3,110,671	3,114,286

Approved on behalf of the Board:

P. M. TOWE
Director

J. M. STANFORD
Director

PETRO-CANADA INTERNATIONAL ASSISTANCE CORPORATION—*Concluded*

STATEMENT OF OPERATIONS
FOR THE YEARS ENDED MARCH 31

	1990	1989
	$	$
Project expenditures (Note 4)	47,452,442	59,810,393
Expenses		
General and administrative	1,847,543	1,348,911
Interest expense (income)	845	(6,129)
Current income taxes	(2,747)	(12,177)
Total expenditures	49,298,083	61,140,998
Parliamentary appropriations received during the year	49,300,000	60,500,000
	(1,917)	640,998
Total expenditures in excess of parliamentary appropriations received at beginning of year	3,112,216	2,471,218
Total expenditures in excess of parliamentary appropriations received at end of year	3,110,299	3,112,216

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEARS ENDED MARCH 31

	1990	1989
	$	$
Sources of cash		
Parliamentary appropriations received	49,300,000	60,500,000
Decrease in income taxes recoverable	1,124	83,666
	49,301,124	60,583,666
Uses of cash		
Expenditures	(49,298,083)	(61,140,998)
Increase (decrease) in due to affiliated company	(3,822)	376,262
	(49,301,905)	(60,764,736)
Decrease in cash and short-term deposits	(781)	(181,070)
Cash and short-term deposits at beginning of year	574	181,644
Cash and short-term deposits (bank indebtedness) at end of year	(207)	574

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1990 AND 1989

1. Incorporation

The Corporation was incorporated in 1981 by Petro-Canada under the Canada Business Corporations Act as a wholly-owned subsidiary pursuant to directions provided by Order-in-Council P.C. 1981-2167 of August 5, 1981.

2. Operations

The Corporation's operations are financed by parliamentary appropriations. An affiliated company, Petro-Canada Inc., provides technical and administrative services to the Corporation at cost.

3. Share capital

Authorized

Common shares—Unlimited

Issued

One common share for a cash consideration of one dollar.

4. Project expenditures

Project expenditures consist of the following:

	1990	1989
	$	$
Africa		
Botswana	6,858,444	2,064,066
Ghana	5,664,478	5,958,690
Morocco	3,570,764	9,493,932
Kenya	1,434,782	1,367,864
Senegal/Gambia	684,535	
Other	(26,831)	172,906
	18,186,172	19,057,458
Asia		
Nepal	2,156,273	7,336,348
Thailand	2,074,294	2,242,795
Myanmar	1,301,179	10,119
Philippines	694,917	43,300
Other		(617)
	6,226,663	9,631,945
Middle East		
Jordan	15,645,978	12,696,467
Western Hemisphere		
Sub-Andean Basins	1,384,987	1,287,960
Colombia	1,367,543	1,365,409
Bolivia	743,603	
Costa Rica	148,448	7,897,618
Other	(245,347)	443,017
	3,399,234	10,994,004
Francophonie	1,777,345	2,333,511
Technical Assistance Facility	1,236,256	2,322,230
Project Development	686,982	756,083
Alberta Summer Institute for Petroleum Industry Development	180,064	1,504,037
Committee for Coordination of Joint Prospecting of Mineral Resources in South Pacific Offshore Areas	113,748	514,658
	47,452,442	59,810,393

PORT OF QUÉBEC CORPORATION

AUDITORS' REPORT

TO THE HONOURABLE DOUG LEWIS, P.C., M.P.
MINISTER OF TRANSPORT

We have examined the balance sheet of the Port of Québec Corporation as at December 31, 1989 and the statements of income, contributed capital, surplus and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1989 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with Part X of the Financial Administration Act and regulations, the Canada Ports Corporation Act and with the letters patent and by-laws of the Corporation.

Peat Marwick Thorne
Chartered Accountants

Québec, Canada
February 7, 1990

BALANCE SHEET AS AT DECEMBER 31, 1989

ASSETS	1989	1988	LIABILITIES	1989	1988
	$	$		$	$
Current			Current		
Cash	403,424	500,552	Accounts payable and accrued liabilities	1,749,375	1,955,951
Investments (Note 1)	21,464,555	18,018,706	Grants in lieu of municipal taxes	664,000	398,200
Accounts receivable	1,875,204	2,655,573	Deferred revenues	817,416	795,178
Materials and supplies	142,038	131,856		3,230,791	3,149,329
	23,885,221	21,306,687	Long-term		
Investments (Note 1)	6,702,891	6,676,546	Accrued employee benefits	890,000	810,200
Fixed assets (Note 2)	41,490,002	42,337,986	EQUITY OF CANADA		
			Contributed capital	63,182,198	63,182,198
			Surplus	4,775,125	3,179,492
				67,957,323	66,361,690
	72,078,114	70,321,219		72,078,114	70,321,219

Contingencies (Note 6)
Commitment (Note 7)

On behalf of the Board:

GUY BOULANGER
Chairman

ROSS GAUDREAULT
President and Chief Executive Officer

PORT OF QUÉBEC CORPORATION—*Continued*

STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 1989

	1989	1988
	$	$
Revenue from operations	11,313,942	11,177,475
Expenses		
Operating and administrative expenses	9,713,793	9,118,893
Depreciation	2,055,558	1,995,468
Grants in lieu of municipal taxes	1,149,559	1,053,686
	12,918,910	12,168,047
Loss from operations	(1,604,968)	(990,572)
Investment income	2,899,549	2,290,572
Net income before unusual item	1,294,581	1,300,000
Gain in settlement of past litigations	381,052	
Net income	1,675,633	1,300,000

STATEMENT OF CONTRIBUTED CAPITAL
YEAR ENDED DECEMBER 31, 1989

	1989	1988
	$	$
Balance at beginning of year	63,182,198	61,759,198
Contribution from Canada (Note 3)		1,423,000
Balance at end of year	63,182,198	63,182,198

STATEMENT OF SURPLUS
YEAR ENDED DECEMBER 31, 1989

	1989	1988
	$	$
Surplus at beginning of year	3,179,492	2,186,751
Net income	1,675,633	1,300,000
Dividend to Canada	(80,000)	(307,259)
Surplus at end of year	4,775,125	3,179,492

STATEMENT OF CHANGES IN FINANCIAL POSITION
YEAR ENDED DECEMBER 31, 1989

	1989	1988
	$	$
Cash provided by (used for)		
Operations		
Net income	1,675,633	1,300,000
Items not affecting cash		
Amortization of discount on Canada Government bonds	(26,345)	(26,345)
Depreciation	2,055,558	1,995,468
Loss (gain) on disposal of fixed assets	55,075	(53,145)
Accrued employee benefits	79,800	41,722
	3,839,721	3,257,700
Changes in non-cash operating working capital (Note 4)	851,649	543,234
	4,691,370	3,800,934
Investment		
Additions to fixed assets	(1,308,195)	(874,918)
Proceeds on disposal of fixed assets	45,546	58,152
Others		2,889
	(1,262,649)	(813,877)
Financing		
Contributed capital		1,423,000
Dividend to Canada	(80,000)	(307,259)
	(80,000)	1,115,741
Increase in cash position	3,348,721	4,102,798
Cash position at beginning of year	18,519,258	14,416,460
Cash position at end of year	21,867,979	18,519,258
Cash position is represented by		
Cash	403,424	500,552
Investments	21,464,555	18,018,706
	21,867,979	18,519,258

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1989

General

The Port of Québec Corporation was incorporated on June 1, 1984, under article 6.2(1) of the Canada Ports Corporation Act.

Summary of significant accounting policies

(a) Investments

Investments are direct securities guaranteed by Canada. They are presented at amortized cost and the premium or discount is amortized over the periods to maturity.

(b) Fixed assets

Fixed assets are recorded at cost except for those transferred to the Corporation from Canada, which are recorded at appraised or fair market value established at the time of transfer. Grants received from Canada and from third parties for capital projects are deducted from the cost of the related fixed assets.

PORT OF QUÉBEC CORPORATION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1989—*Concluded*

Depreciation is calculated on the straight line basis for the full year commencing with the year the asset becomes operational, using the following annual rates:

Dredging	2.5%-6.7%
Berthing structures	2.5%-10%
Buildings	2.5%-10%
Utilities	3.3%-10%
Roads and surfaces	2.5%-10%
Machinery and equipment	5%-20%
Office furniture and equipment	20%

(c) Pension costs

All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions represent the liability of the Corporation for pensions and are recognized in the accounts on a current basis.

(d) Insurance

The Port of Québec Corporation assumes all risks with respect to workers' compensation claims. Any costs arising from these claims are recorded in the accounts in the year, based on the invoices received or to be received from Labour Canada for the year.

(e) Grants in lieu of municipal taxes

The expense for grants in lieu of municipal taxes is based on estimated municipal assessments adjusted in accordance with the Municipal Grants Act. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

(f) Employee benefits

The Corporation accounts for estimated liabilities relating to severance pay, annual leave and overtime compensatory leave; these benefits are payable to its employees in subsequent years under its collective agreements, or in accordance with its policy.

1. Investments

Investments, which are direct securities guaranteed by Canada, are as follows:

	1989		1988	
	Cost	Market value	Cost	Market value
	$	$	$	$
Current	21,464,555	21,411,038	18,018,706	17,947,547
Long-term	6,702,891	7,520,074	6,676,546	7,208,678

2. Fixed assets

	1989			1988
	Cost	Accumulated depreciation	Net	Net
	$	$	$	$
Land	11,098,253		11,098,253	11,098,253
Dredging	4,561,341	3,979,369	581,972	610,033
Berthing structures	22,879,511	17,079,260	5,800,251	5,959,226
Buildings	33,563,707	15,212,907	18,350,800	19,160,156
Utilities	3,703,510	2,271,615	1,431,895	1,537,941
Roads and surfaces	5,930,727	3,927,074	2,003,653	2,369,830
Machinery and equipment	684,603	462,259	222,344	139,227
Office furniture and equipment	861,688	514,931	346,757	231,536
Projects under construction	1,654,077		1,654,077	1,231,784
	84,937,417	43,447,415	41,490,002	42,337,986

3. Contribution from Canada

Pursuant to a resolution from the Treasury Board, the Ministry of Transport has transferred at no cost on January 1, 1988, the administration, management, control and property of certain assets previously managed by Société Immobilière du Canada (Vieux Port de Québec) Inc. The Ministry of Transport of Canada paid to the Corporation in 1988 a total amount of $1,423,000 as a compensation to help absorb the estimated operating deficits for the next five years. This amount has been credited to contributed surplus.

4. Changes in non-cash operating working capital

	1989	1988
	$	$
Accounts receivable	780,369	662,421
Materials and supplies	(10,182)	(56,025)
Accounts payable and accrued liabilities	(206,576)	(123,698)
Grants in lieu of municipal taxes	265,800	54,200
Deferred revenues	22,238	6,336
	851,649	543,234

5. Related party transactions

During the year, the Corporation entered into transactions with related entities including various ministry, government organizations and Crown corporations.

Principally, the Corporation earned rental revenues from related entities. The expenses paid to related parties mainly consist in management fees.

6. Contingencies

Claims aggregating approximately $900,000 have been received by the Corporation in respect of lawsuits and various other matters in dispute. In the Corporation's view, its position is defensible and the final outcome of such claims should not result in any material loss.

In addition, claims for an estimated amount of approximately $5,000,000 have been received by the Corporation concerning the ownership of certain lands. Any amount payable in connection with those claims will be capitalized to the cost of land.

These amounts are not recorded in the financial statements.

7. Commitment

The Corporation has made commitments totalling approximately $9,900,000 of which $440,000 has been expensed as at December 31, 1989, relating to the modernization of a solid bulk terminal.

PRINCE RUPERT PORT CORPORATION

AUDITORS' REPORT

TO THE HONOURABLE DOUG LEWIS, P.C., M.P.
MINISTER OF TRANSPORT

We have examined the balance sheet of the Prince Rupert Port Corporation as at December 31, 1989, and the statements of income and surplus and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1989 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with Part X of the Financial Administration Act and regulations, and the letters patent and by-laws of the Corporation.

Peat Marwick & Thorne
Chartered Accountants

Vancouver, Canada
February 2, 1990

BALANCE SHEET AS AT DECEMBER 31, 1989

ASSETS	1989	1988	LIABILITIES	1989	1988
	$	$		$	$
Current			Current		
Cash	106,563	54,386	Accounts payable and accrued liabilities	3,317,012	686,166
Investments (Note 1)	1,793,604	16,431,572	Payable to Canada	1,864,733	18,868
Accounts receivable	1,325,290	861,425	Grants in lieu of municipal taxes	500,874	394,598
Materials and supplies	110,779	93,664	Deferred revenues	173,481	149,330
	3,336,236	17,441,047	Current portion of loans from Canada	80,129	
Property and equipment (Note 2)	97,774,346	71,272,047		5,936,229	1,248,962
			Long-term debt		
			Recoverable contribution from Canada (Note 3)	48,300,000	48,300,000
			Loans from Canada (Note 4)	4,419,871	
				52,719,871	48,300,000
			EQUITY OF CANADA		
			Contributed capital	31,311,805	31,311,805
			Surplus	11,142,677	7,852,327
				42,454,482	39,164,132
	101,110,582	88,713,094		101,110,582	88,713,094

Commitments (Note 5)

On behalf of the Board:

ALLAN T. SHEPPARD
Chairman

TERRENCE R. ANDREW
General Manager and Chief Executive Officer

PRINCE RUPERT PORT CORPORATION—*Continued*

STATEMENT OF INCOME AND SURPLUS
YEAR ENDED DECEMBER 31, 1989

	1989	1988
	$	$
Revenue from operations	14,372,103	14,585,020
Expenses		
Operating and administrative	9,614,220	9,563,862
Depreciation	701,994	697,684
Grants in lieu of municipal taxes	544,573	407,665
	10,860,787	10,669,211
Income from operations	3,511,316	3,915,809
Other income (expense)		
Interest income	985,783	1,257,306
Settlement of litigation		87,507
Interest expense	(83,562)	
	902,221	1,344,813
Net income	4,413,537	5,260,622
Surplus at beginning of year	7,852,327	3,536,276
	12,265,864	8,796,898
Dividend to Canada	1,123,187	944,571
Surplus at end of year	11,142,677	7,852,327

STATEMENT OF CHANGES IN FINANCIAL POSITION
YEAR ENDED DECEMBER 31, 1989

	1989	1988
	$	$
Cash provided by (used for)		
Operations		
Net income	4,413,537	5,260,622
Items not involving cash		
Depreciation	701,994	697,684
Changes in non-cash operating working capital		
Accounts receivable	(463,865)	88,932
Materials and supplies	(17,115)	(26,342)
Accounts payable and accrued liabilities	2,630,846	139,258
Grants in lieu of municipal taxes	106,276	26,458
Deferred revenues	24,151	(12,886)
	7,395,824	6,173,726
Financing		
Increase in payable to Canada	1,845,865	15,903
Increase in loans from Canada	4,500,000	
Dividend to Canada	(1,123,187)	(944,571)
	5,222,678	(928,668)
Investment		
Purchase of property and equipment	(27,204,293)	(656,981)
Increase (decrease) in cash position	(14,585,791)	4,588,077
Cash position at beginning of year	16,485,958	11,897,881
Cash position at end of year	1,900,167	16,485,958

Cash position is defined as cash and investments.

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1989

Local port corporation

The Prince Rupert Port Corporation was established effective June 1, 1984 as a local port corporation pursuant to the Canada Ports Corporation Act. The Corporation is exempt from income taxes.

On June 1, 1984, all the assets and liabilities of Canada Ports Corporation relating to the Port of Prince Rupert were transferred to the Corporation at their book value as recorded by Canada Ports Corporation.

Summary of significant accounting policies

(a) Investments

The investments, which are direct and guaranteed securities of Canada, are shown at amortized cost. Premiums or discounts are amortized over the periods to maturity.

(b) Property and equipment

Property and equipment are recorded at cost. Grants towards capital projects received from Canada and from third parties are deducted from the cost of the related property and equipment.

Depreciation is calculated on the straight-line basis, commencing with the year the asset becomes operational, at rates based on the estimated useful lives of the assets as follows:

Dredging	2.5-6.7%
Berthing structures	2.5-10%
Buildings	2.5-10%
Roads and surfaces	2.5-10%
Utilities	3.3-10%
Machinery and equipment	5-10%
Office furniture and equipment	20%

(c) Pension costs

All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions represent the liability of the Corporation for pensions and are recognized in the accounts on a current basis.

(d) Grants in lieu of municipal taxes

The expense for grants in lieu of municipal taxes is estimated based on municipal assessments adjusted in accordance with the Municipal Grants Act. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

(e) Employee benefits

The Corporation accrues in its accounts annually the estimated liabilities for severance pay, annual leave and overtime compensatory leave, which are payable to its employees in subsequent years.

1. Investments

	1989	1988
	$	$
Amortized cost	1,793,604	16,431,572
Market value	1,791,970	16,377,031

PRINCE RUPERT PORT CORPORATION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1989—*Concluded*

2. Property and equipment

	1989			1988
	Cost	Accumulated depreciation	Net book value	Net book value
	$	$	$	$
Land	60,498,881		60,498,881	60,126,625
Dredging	5,177	1,553	3,624	3,753
Berthing structures	8,699,242	3,266,005	5,433,237	5,676,409
Buildings	2,470,756	521,987	1,948,769	1,905,268
Roads and surfaces	3,512,385	2,349,085	1,163,300	1,388,463
Utilities	2,597,237	1,396,223	1,201,014	1,305,281
Machinery and equipment	1,802,975	1,459,348	343,627	246,935
Office furniture and equipment	280,201	152,826	127,375	99,942
Construction in progress	27,054,519		27,054,519	519,371
	106,921,373	9,147,027	97,774,346	71,272,047

3. Recoverable contribution from Canada

A recoverable contribution of $50,400,000 was approved for the construction of the infrastructure for the coal terminal facility on Ridley Island. The recoverable contribution as at December 31, 1989 is $48,300,000.

The total recoverable contribution was interest-free until April 1, 1989, thereafter it bears interest of approximately 13.9%.

Principal and interest on $48,300,000 of the contribution are repayable in annual instalments over the next 20 years, contingent upon the revenues received from a direct coal throughput surcharge of $.44 per tonne for 1989, (escalating with the rate of increase in the Consumer Price Index) at a minimum throughput of 6,600,000 tonnes but not to exceed 12,000,000 tonnes per year. On April 1, 2009, it is anticipated that the unpaid balance of the contribution, if any, will be forgiven by the government of Canada.

As the Corporation acts as an intermediary between Ridley Terminals Inc. and the government of Canada, the surcharge revenues and interest payments are not reflected in the Corporation's statement of income. Rather, they are reflected on the balance sheet as payable to Canada.

As at December 31, 1989, the Corporation has received/receivable approximately $1,900,000 in connection with the above surcharge which is included in payable to Canada.

4. Loans from Canada

	1989	1988
	$	$
Interest-bearing loans at 9.80% to 9.86% repayable in blended annual instalments, maturing in 2009	4,500,000	
Less portion included in current liabilities	80,129	
	4,419,871	

Principal repayment requirements over the next five years are as follows:

	$
1990	80,000
1991	88,000
1992	97,000
1993	106,000
1994	117,000
	488,000

5. Commitments

(a) At December 31, 1989, commitments in connection with construction of a new berth at Fairview Terminal amounted to approximately $1,786,000.

(b) The Corporation rents a building under a long-term operating lease which expires May 1, 1991, the annual rental rate for which is $81,264. The aggregate rental payable to the expiry date amounts to $108,352.

(c) At December 31, 1989, the Corporation was committed to acquire a 12 hectare land parcel at Westview Terminal for approximately $1,200,000.

6. Related party transactions

(a) During the year, the Corporation received revenue of $1,489,644 (1988, $1,274,593) from Ridley Terminals Inc., a company in which Canada Ports Corporation has a significant investment. At December 31, 1989, the Corporation was owed $495,561 by Ridley Terminals Inc. (1988, $124,961).

(b) During the year the Corporation paid $463,961 (1988, $485,279) to Canada Ports Corporation as its share of that Corporation's head office expense.

ROYAL CANADIAN MINT

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The financial statements contained in this annual report have been prepared by Management in accordance with generally accepted accounting principles in Canada, conforming with International Accounting Standards, and the integrity and objectivity of the data in these financial statements are Management's responsibility. Management is also responsible for all other information in the annual report and for ensuring that this information is consistent, where appropriate, with the information and data contained in the financial statements.

In support of its responsibility, Management has developed and maintains books of account, records, financial and management controls, information systems and management practices. These are designed to provide reasonable assurance as to the reliability of financial information, that assets are safeguarded and controlled, and that transactions are in accordance with the Financial Administration Act and regulations as well as the Royal Canadian Mint Act and by-laws of the Corporation.

The Board of Directors is responsible for ensuring that Management fulfills its responsibilities for financial reporting and internal control. The Board exercises its responsibilities through the Audit Committee which includes a majority of members who are not officers of the Corporation. The Committee meets with Management, internal audit staff and the independent external auditor to review the manner in which these groups are performing their responsibilities and to discuss auditing, internal controls and other relevant financial matters. The Audit Committee has reviewed the financial statements with the external auditor and has submitted its report to the Board of Directors. The Board of Directors has reviewed and approved the financial statements.

The Corporation's external auditor, the Auditor General of Canada, examines the financial statements and reports to the Minister responsible for the Royal Canadian Mint.

M.A.J. Lafontaine
President and Master

J.E. Uberig
Vice-President, Administration and Finance

AUDITOR'S REPORT

TO THE MINISTER OF SUPPLY AND SERVICES

I have examined the balance sheet of the Royal Canadian Mint as at December 31, 1989 and the statements of income and retained earnings and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards in Canada, conforming with International Auditing Guidelines, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1989 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles in Canada, conforming with International Accounting Standards, applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with Part X of the Financial Administration Act and regulations, the Royal Canadian Mint Act and by-laws of the Corporation.

Raymond Dubois, F.C.A.
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
February 23, 1990

ROYAL CANADIAN MINT—*Continued*

BALANCE SHEET AS AT DECEMBER 31, 1989
(in thousands of dollars)

ASSETS	1989	1988
Current		
Cash and short-term investments	26,632	37,739
Accounts receivable		
Government departments	152	6,509
Other	5,245	8,809
Prepaid expenses	1,543	594
Inventories (Note 3)	25,561	26,703
	59,133	80,354
Property, buildings and equipment (Note 4)	42,098	41,015
	101,231	121,369

LIABILITIES	1989	1988
Current		
Accounts payable		
Government departments	4,516	1,006
Other	16,504	18,781
Due to Government of Canada		
Net earnings (Note 5)		60,363
Current portion of long-term loans (Note 6)	2,673	7,673
Accrued interest on long-term loans	440	657
Deferred revenues	1,170	1,772
	25,303	90,252
Loans from Government of Canada (Note 6)	13,540	16,213
Provision for employee termination benefits	5,476	5,072
	19,016	21,285
SHAREHOLDER'S EQUITY (Note 5)		
Share capital	40,000	
Reserve for losses		692
Retained earnings	16,912	9,140
	56,912	9,832
	101,231	121,369

Approved by Management:

M. A. J. LAFONTAINE
President and Master

J. E. UBERIG
Vice-President, Administration and Finance

Approved by the Board of Directors:

J. C. CORKERY
Chairman

ROYAL CANADIAN MINT—*Continued*

STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 1989
(in thousands of dollars)

	1989	1988
Revenues		
Precious metal coins	566,369	726,863
Canadian circulating coins	89,655	57,091
Canadian numismatic coins	57,582	31,939
Foreign contracts	24,500	27,990
Refinery	6,018	5,953
Investment and other income	5,394	3,536
1988 Olympic Coin Programme		39,205
	749,518	892,577
Expenses (Note 7)		
Cost of materials used	671,719	802,237
Salaries, wages and benefits	31,246	29,509
Promotion	14,132	24,725
Transportation and communications	5,636	7,153
Utilities and supplies	5,557	4,238
Professional and special services	3,808	4,974
Depreciation	2,679	2,403
Repairs and maintenance	2,339	2,490
Building and equipment rental	2,044	2,155
Interest on long-term loans	1,961	2,697
Miscellaneous	625	1,239
	741,746	883,820
Net earnings for the year	7,772	8,757
Retained earnings, beginning of year	9,140	383
Retained earnings, end of year	16,912	9,140

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1989
(in thousands of dollars)

	1989	1988
Operating activities		
Net earnings for the year	7,772	8,757
Items not affecting funds		
Depreciation	2,679	2,403
Amortization of deferred expense	9	5,820
	10,460	16,980
Net change in non-cash working capital	4,827	2,657
Increase in provision for employee termination benefits	404	479
	15,691	20,116
Investing activities		
Additions to fixed assets (net)	(3,762)	(2,756)
Financing activities		
Issue of share capital	40,000	
Decrease in loans from Government of Canada	(2,673)	(7,673)
Payment of net earnings to Government of Canada	(60,363)	
	(23,036)	(7,673)
Increase (decrease) in cash	(11,107)	9,687
Cash and short-term investments, beginning of year	37,739	28,052
Cash and short-term investments, end of year	26,632	37,739

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1989

1. Authority and objectives

The Mint was incorporated in 1969 by the Royal Canadian Mint Act and is an agent of Her Majesty named in Part II of Schedule III to the Financial Administration Act.

The objectives of the Mint are to mint coins in anticipation of profit and to carry out other related activities.

The Mint may borrow money from the Consolidated Revenue Fund or any other source, subject to the approval of the Minister of Finance with respect to the time and the terms and conditions, but the aggregate of the amounts loaned to the Mint and outstanding at any time shall not exceed $50 million.

2. Significant accounting policies

(a) Foreign currency translation

Foreign currency transactions are translated into Canadian dollars at the exchange rate in effect at the transaction date. Assets and liabilities denominated in foreign currency at the balance sheet date are translated into Canadian dollars at the exchange rate in effect at that date.

(b) Inventories

Raw materials, work in process and finished goods are valued at the lower of cost and net realizable value, cost being determined by the average cost method.

Operating and maintenance supplies are valued at the lower of cost and replacement cost, cost being determined by the average cost method.

(c) Property, buildings and equipment

Property, buildings and equipment are recorded at cost and depreciated under the straight-line method at the following annual rates:

Land improvements	21/2%
Buildings	21/2%
Equipment	10%

(d) Employee termination benefits

According to their collective agreement and terms of employment, employees are entitled to termination benefits. The liability for these benefits is recorded when earned by the employees.

(e) Pension plan

Employees participate in the Public Service Superannuation Plan, which is administered by the Government of Canada. Contributions to the plan are required from both the employees and the Mint. These contributions represent the Mint's total liability and are recorded on a current basis.

ROYAL CANADIAN MINT—*Concluded*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1989—*Concluded*

3. Inventories

	1989	1988
	(in thousands of dollars)	
Raw materials	12,317	16,628
Work in process	3,575	3,224
Finished goods	7,416	4,088
Operating and maintenance supplies	2,253	2,763
	25,561	26,703

In order to facilitate the production of precious metal coins, the Mint borrows the quantity of gold, platinum and silver required and pays interest based on the value of these metals established on the commodity markets. As at December 31, 1989, a total of 504,106 ounces of gold, 10,183 ounces of platinum and 2,495,472 ounces of silver was borrowed and was not reflected in these financial statements.

4. Property, buildings and equipment

	1989			1988
	Cost	Accumulated depreciation	Net book value	Net book value
	(in thousands of dollars)			
Land	561		561	579
Land improvements	914	557	357	378
Buildings	38,562	8,746	29,816	30,367
Equipment	28,560	17,196	11,364	9,691
	68,597	26,499	42,098	41,015

5. Shareholder's equity

In 1989, the authorized capital of four thousand non-transferable shares of ten thousand dollars per share was issued and the proceeds were used to reduce the net earnings due to the Government of Canada.

The balance of the reserve against possible losses of $105,000 has been transferred at December 31, 1989 to an account payable to the Government.

6. Loans from Government of Canada

These loans bear interest at various annual rates ranging from 8.25% to 12.00% and are repayable according to the following schedule:

	(in thousands of dollars)
1990	2,673
1991	2,673
1992	2,673
1993	2,673
1994	2,673
1995-1998	2,848
	16,213
Current portion	(2,673)
	13,540

7. Expenses

Expenses include cost of goods sold, detailed as follows:

	1989	1988
	(in thousands of dollars)	
Materials used	671,719	802,237
Direct labour	3,870	3,326
Manufacturing overhead	27,626	26,559
	703,215	832,122

8. Related party transactions

Included in these financial statements are transactions with the Department of Finance relating to the borrowing, refining and purchasing of gold. These transactions were conducted in the normal course of business, under the same terms and conditions that apply to unrelated parties.

Transactions with the Department of Finance related to the production and delivery of Canadian circulating coins are generally carried out on a cost recovery basis.

SAINT JOHN PORT CORPORATION

AUDITORS' REPORT

TO THE HONOURABLE DOUG LEWIS, P.C., M.P.
MINISTER OF TRANSPORT

We have examined the balance sheet of the Saint John Port Corporation as at December 31, 1989 and the statements of income and retained earnings and cash flows for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1989 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with Part X of the Financial Administration Act and regulations, the Canada Ports Corporation Act and the by-laws of the Corporation.

Ernst & Young
Chartered Accountants

Saint John, Canada
February 9, 1990

BALANCE SHEET AS AT DECEMBER 31, 1989
(in thousands of dollars)

ASSETS	1989	1988
Current		
Cash	7	620
Investments (Note 3)	11,419	8,427
Accounts receivable	1,327	1,512
Materials and supplies	45	46
	12,798	10,605
Long-term		
Long-term investments (Note 3)	959	956
Fixed assets (Note 4)	78,317	79,960
	79,276	80,916
	92,074	91,521

LIABILITIES	1989	1988
Current		
Accounts payable and accrued charges	1,110	890
Deferred revenues	378	279
Grants in lieu of municipal taxes	84	103
	1,572	1,272
Long-term		
Accrued employee benefits	425	398
Financing provided by a province (Note 5)	19,696	19,696
Loans from Canada (Note 6)	20,052	20,052
	40,173	40,146
	41,745	41,418
EQUITY OF CANADA		
Contributed capital	49,372	49,372
Retained earnings	957	731
	50,329	50,103
	92,074	91,521

See accompanying notes.

On behalf of the Board:

HARRY P. GAUNCE
Chairman

KENNETH R. KRAUTER
General Manager and Chief Executive Officer

SAINT JOHN PORT CORPORATION—*Continued*

STATEMENT OF INCOME AND RETAINED EARNINGS
YEAR ENDED DECEMBER 31, 1989
(in thousands of dollars)

	1989	1988
Revenues from operations	11,375	11,642
Expenses		
Operating and administrative	6,739	5,853
Grants in lieu of municipal taxes	754	727
Depreciation	2,696	2,700
Loss (gain) on disposal of fixed assets	98	(16)
	10,287	9,264
Income from operations before unusual item	1,088	2,378
Gain on disposal of land		1,218
Income from operations	1,088	3,596
Investment income	1,501	860
Interest expense	(2,363)	(2,363)
Net income	226	2,093
Retained earnings (deficit), beginning of year	731	(1,362)
Retained earnings, end of year	957	731

See accompanying notes.

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 1989
(in thousands of dollars)

	1989	1988
Cash provided by (used in)		
Operations		
Net income	226	2,093
Add (deduct) items not requiring a cash payment		
Depreciation	2,696	2,700
Loss (gain) on disposal of fixed assets	98	(1,234)
Other	25	9
	3,045	3,568
Net change in non-cash working capital balances (Note 7)	486	(2,300)
	3,531	1,268
Investing		
Additions to fixed assets	(1,152)	(785)
Proceeds on disposal of fixed assets		1,252
Recovery on Musquash Harbour Project		799
	(1,152)	1,266
Increase in cash and short-term investments	2,379	2,534
Cash and short-term investments, beginning of year	9,047	6,513
Cash and short-term investments, end of year	11,426	9,047

See accompanying notes.

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1989

1. Canada Ports Corporation Act and Incorporation

In accordance with the Canada Ports Corporation Act, a petition for the establishment of a local port corporation at the Port of Saint John was approved and the Saint John Port Corporation was incorporated under the laws of Canada effective at the closing of business on December 31, 1986 and commenced operations January 1, 1987.

In accordance with the Canada Ports Corporation Act, the assets, liabilities and equity were transferred to the Saint John Port Corporation at their carrying values in the accounts of the Canada Ports Corporation—Port of Saint John.

2. Significant accounting policies

(a) Investments

The investments are shown at amortized cost whereby premiums or discounts from par value are amortized over the periods to maturity.

(b) Fixed assets

Fixed assets are recorded at cost except for those transferred to the Corporation from Canada which are recorded at appraised or fair market value established at the time of transfer. Grants towards capital projects received from Canada and from third parties are deducted from the cost of the related fixed assets.

Depreciation is calculated on the straight-line basis for the full year, commencing with the year the asset becomes operational, using rates as follows:

Dredging	2.5-6.7%
Berthing structures	2.5-10.0%
Buildings	2.5-10.0%
Utilities	3.3-10.0%
Roads and surfaces	2.5-10.0%
Machinery and equipment	5.0-100.0%
Office furniture and equipment	20.0%

(c) Pension costs

All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions represent the liability of the Corporation for pensions and are recognized in the accounts on a current basis.

(d) Insurance

The Corporation assumes substantially all risks against fire and general perils, as well as for workers' compensation claims. Any costs arising from these risks are recorded in the accounts in the year they can be reasonably estimated.

(e) Grants in lieu of municipal taxes

The expense for grants in lieu of municipal taxes is based on estimated municipal assessments adjusted in accordance with the Municipal Grants Act. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

(f) Employee benefits

The Corporation accrues in its accounts, annually, the estimated liabilities for severance pay and annual leave which are payable to its employees in subsequent years under its collective agreements or in accordance with its policy.

SAINT JOHN PORT CORPORATION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1989—*Concluded*

3. Investments

Investments are direct and guaranteed securities of Canada as follows:

	1989		1988	
	Amortized cost	Face value	Amortized cost	Face value
	(in thousands of dollars)			
Canada Treasury Bills	11,419	12,013	8,427	8,780
Canada Bonds	959	1,000	956	1,000

4. Fixed assets

	1989			1988
	Cost	Accumulated depreciation	Net book value	Net book value
	(in thousands of dollars)			
Land	30,426		30,426	30,363
Dredging	1,967	1,498	469	488
Berthing structures	63,670	29,095	34,575	35,945
Buildings	15,546	8,440	7,106	7,519
Utilities	7,734	3,706	4,028	4,250
Roads and surfaces	5,345	4,310	1,035	682
Machinery and equipment	1,834	1,664	170	244
Office furniture and equipment	1,167	815	352	454
Work under construction	156		156	15
	127,845	49,528	78,317	79,960

5. Financing provided by a province

The Province of New Brunswick advanced $25,000,000 to partially finance the construction of Rodney Terminal Complex, Saint John. The province will receive annual principal payments equal to approximately 47% of the net operating income of the terminal until the non-interest bearing advance is repaid. The cost of major repairs has been included in calculating the net operating income of the terminal and the current portion payable as at December 31, 1989 has been calculated accordingly. The province is disputing this accounting treatment. Had net operating income not been reduced by the cost of these major repairs, the current portion payable would be approximately $1,030,000.

6. Loans from Canada

	1989	1988
	(in thousands of dollars)	
Term loans bearing interest at 11.0% to 12.43% between December 31, 1998 and 2005	20,052	20,052

7. Net change in non-cash working capital balances

	1989	1988
	(in thousands of dollars)	
Decrease (increase) in current assets		
Accounts receivable	185	(304)
Materials and supplies	1	48
	186	(256)
Increase (decrease) in current liabilities		
Accounts payable and accrued charges	220	(2,153)
Deferred revenues	99	6
Grants in lieu of municipal taxes	(19)	103
	300	(2,044)
	486	(2,300)

8. Related party transactions

During the year the Corporation paid $696,000 (1988—$728,000) to Canada Ports Corporation as its share of that Corporation's head office expense.

ST. JOHN'S PORT CORPORATION

AUDITORS' REPORT

TO THE HONOURABLE DOUG LEWIS, P.C., M.P.
MINISTER OF TRANSPORT

We have examined the balance sheet of the St. John's Port Corporation as at December 31, 1989, and the statements of income and surplus and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1989 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with Part X of the Financial Administration Act and regulations, the Canada Ports Corporation Act and the by-laws of the Corporation.

Doane Raymond
Chartered Accountants

St. John's, Canada
February 7, 1990

BALANCE SHEET AS AT DECEMBER 31, 1989

ASSETS	1989	1988	LIABILITIES	1989	1988
	$	$		$	$
Current			Current		
Cash	1,834	36,008	Accounts payable and accrued liabilities	250,346	776,689
Investments (Note 3)	1,311,118	1,920,228	Grants in lieu of municipal taxes	46,375	93,175
Accounts receivable	370,777	361,184	Deferred revenues	301,238	278,696
Due from Canada	75,095		Current portion of loans from Canada	220,036	200,622
	1,758,824	2,317,420		817,995	1,349,182
Fixed (Note 4)	14,784,522	14,563,595	Accrued employee benefits	91,491	107,324
			Loans from Canada (Note 5)	2,912,126	3,132,162
				3,821,612	4,588,668
			EQUITY OF CANADA		
			Contributed capital	10,131,636	10,131,636
			Surplus	2,590,098	2,160,711
				12,721,734	12,292,347
	16,543,346	16,881,015		16,543,346	16,881,015

Contingencies (Note 6)

On behalf of the Board:

FRED MILLEY
Chairman

DAVID J. FOX
Port Manager and Chief Executive Officer

ST. JOHN'S PORT CORPORATION—*Continued*

STATEMENT OF INCOME AND SURPLUS
YEAR ENDED DECEMBER 31, 1989

	1989	1988
	$	$
Revenue from operations	3,026,807	2,707,306
Operating and administrative expenses	1,637,620	1,718,025
Depreciation	781,964	747,357
Grants in lieu of municipal taxes	39,124	57,711
	2,458,708	2,523,093
Income from operations	568,099	184,213
Investment income	182,182	135,778
Interest expense	(320,894)	(259,468)
Net income	429,387	60,523
Surplus, beginning of year	2,160,711	2,100,188
Surplus, end of year	2,590,098	2,160,711

STATEMENT OF CHANGES IN FINANCIAL POSITION
YEAR ENDED DECEMBER 31, 1989

	1989	1988
	$	$
Cash provided from (used for)		
Operating activities		
Net income	429,387	60,523
Depreciation	781,964	747,357
Other non-cash items	(15,833)	5,199
	1,195,518	813,079
Changes in		
Accounts receivable	(9,593)	(76,961)
Due from Canada	(75,095)	
Accounts payable and accrued liabilities	(526,343)	281,604
Grants in lieu of municipal taxes	(46,800)	57,711
Deferred revenues	22,542	22,913
Current portion of loans from Canada	19,414	75,786
	579,643	1,174,132
Financing activities		
Capital grants	2,075,095	
Loans from Canada	(220,036)	799,378
	1,855,059	799,378
Investing activities		
Proceeds on disposals of fixed assets		20,283
Purchase of fixed assets	(3,077,986)	(984,699)
	(3,077,986)	(964,416)
Net cash provided (used)	(643,284)	1,009,094
Cash and short term investments, beginning of year	1,956,236	947,142
Cash and short term investments, end of year	1,312,952	1,956,236

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1989

1. In accordance with the Canada Ports Corporation Act, a petition for the establishment of a local port corporation at the Port of St. John's was approved and the St. John's Port Corporation was established effective June 1, 1985.

   In accordance with the Canada Ports Corporation Act, the assets, liabilities and equity were transferred at their carrying values in the accounts of the Canada Ports Corporation—Port of St. John's to the St. John's Port Corporation.

2. Significant accounting policies

   (a) Investments

   The investments, which are direct and guaranteed securities of Canada, are shown at amortized cost. Premiums or discounts are amortized over the periods to maturity.

   (b) Fixed assets

   Fixed assets are recorded at cost except for those transferred to the Corporation from Canada, which are recorded at appraised or fair market value established at the time of transfer. Grants towards capital projects received from Canada and from third parties are deducted from the cost of the related fixed assets.

   Depreciation is recorded on the straight-line basis for the full year, commencing with the year the asset becomes operational, using rates indicated in Note 4.

   (c) Pension costs

   All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions for pensions are recognized in the accounts on a current basis.

   (d) Grants in lieu of municipal taxes

   The expense for grants in lieu of municipal taxes is based on estimated municipal assessments adjusted in accordance with the Municipal Grants Act. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

   (e) Employee benefits

   The Corporation accrues in its accounts, annually, the estimated liabilities for severance pay, annual leave and overtime compensatory leave, which are payable to its employees in subsequent years in accordance with its policy.

3. Investments

	1989		1988	
	Amortized cost	Face value	Amortized cost	Face value
	$	$	$	$
Short term	1,311,118	1,324,100	1,920,228	1,935,300

ST. JOHN'S PORT CORPORATION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1989—*Concluded*

4. Fixed assets

	1989				1988
	Depreciation rates	Cost	Accumulated depreciation	Net book value	Net book value
	%	$	$	$	$
Land		4,643,700		4,643,700	4,643,700
Berthing structures	2.5-10	9,503,251	5,617,031	3,886,220	2,765,708
Buildings	2.5-10	1,912,791	1,272,669	640,122	390,633
Utilities	3.3-10	3,123,735	817,740	2,305,995	2,448,376
Roads and surfaces	2.5-10	4,173,992	1,231,374	2,942,618	3,277,339
Machinery and equipment	5-100	296,413	93,643	202,770	144,816
Office furniture and equipment	20	202,606	142,431	60,175	45,706
Projects under construction		102,922		102,922	847,317
		23,959,410	9,174,888	14,784,522	14,563,595

5. Loans from Canada

	1989	1988
	$	$
Term loans bearing interest at 9.33% to 10.015%, maturing between 1997 and 2000, repayable in equal annual instalments of principal and interest of $521,516	3,132,162	3,332,784
Principal instalments payable within one year	220,036	200,622
	2,912,126	3,132,162

The loans from Canada are unsecured.

Annual principal repayments in each of the next five years are as follows: 1990—$220,036; 1991—$241,331; 1992—$264,689; 1993—$290,309; 1994—318,412.

6. Contingent liabilities

Claims aggregating approximately $364,000 arising from alleged damages suffered on the Corporation's property have been received by the Corporation.

The Corporation is a third party defendant, and has denied any liability, and no material loss is anticipated.

7. Related party transactions

(a) During the year the Corporation received approval of a capital grant in the amount of $3,400,000 from the federal government. Of this amount,$2,075,095 was received during the year, and the remaining funds will be advanced to the Corporation over the years 1990 and 1991.

(b) During the year the Corporation paid $193,088 (1988—$201,875) to Canada Ports Corporation as its share of that Corporation's head office expense.

THE ST. LAWRENCE SEAWAY AUTHORITY

AUDITOR'S REPORT

TO THE MINISTER OF TRANSPORT

I have examined the balance sheet of The St. Lawrence Seaway Authority as at March 31, 1990 and the statements of operations, deficit and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Authority as at March 31, 1990 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Authority that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with Part X of the Financial Administration Act and regulations, The St. Lawrence Seaway Authority Act and the by-laws of the Authority.

D. Larry Meyers, F.C.A.
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
May 11, 1990

BALANCE SHEET AS AT MARCH 31, 1990
(in thousands of dollars)

ASSETS	1990	1989	LIABILITIES	1990	1989
Current			Current		
Cash and term deposits	16,759	15,557	Accounts payable and accrued liabilities	13,065	15,831
Accounts receivable	7,500	8,692	Large corporation tax payable (Note 8)	756	
Accrued interest receivable	1,375	1,143		13,821	15,831
Supplies inventory	2,996	2,841	Long-term		
	28,630	28,233	Accrued employee termination benefits (Note 3)	12,788	12,244
Long-term				26,609	28,075
Investments (Note 3)	44,862	41,440			
Receivables (Note 4)	93	149			
Investment in subsidiaries (Note 5)	10	10	Contingencies (Note 10)		
Fixed (Note 6)	526,692	534,711	EQUITY OF CANADA		
			Contributed capital (Note 7)	624,950	624,950
			Deficit	(51,272)	(48,482)
				573,678	576,468
	600,287	604,543		600,287	604,543

Approved:

GLENDON STEWART
President

ROGER FORGUES
Comptroller and Treasurer

THE ST. LAWRENCE SEAWAY AUTHORITY—*Continued*

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 1990
(in thousands of dollars)

	1990					1989
	Montreal-Lake Ontario Section	Welland Section	Total Seaway	Thousand Islands Bridge	Total	Total
Revenues						
Tolls	27,740	31,218	58,958		58,958	60,007
Leases and licenses	813	2,750	3,563	676	4,239	3,695
Other	998	963	1,961	1,355	3,316	2,613
	29,551	34,931	64,482	2,031	66,513	66,315
Expenses						
Operating	6,787	11,170	17,957		17,957	16,762
Maintenance	12,422	12,132	24,554	151	24,705	23,413
Administration	4,725	6,137	10,862	44	10,906	10,255
Headquarters	4,277	5,256	9,533	67	9,600	9,395
Depreciation	4,787	5,741	10,528	32	10,560	10,496
Employee termination benefits	768	1,050	1,818		1,818	1,497
Other expenses	115	115	230		230	481
	33,881	41,601	75,482	294	75,776	72,299
Income (loss) from operations	(4,330)	(6,670)	(11,000)	1,737	(9,263)	(5,984)
Investment income	2,970	3,651	6,621	608	7,229	5,662
Net income (loss) before large corporation tax	(1,360)	(3,019)	(4,379)	2,345	(2,034)	(322)
Large corporation tax (Note 8)	335	411	746	10	756	
Net income (loss) for the year	(1,695)	(3,430)	(5,125)	2,335	(2,790)	(322)

STATEMENT OF DEFICIT
FOR THE YEAR ENDED MARCH 31, 1990
(in thousands of dollars)

	1990			1989
	Seaway	Thousand Islands Bridge	Total	Total
Retained earnings (deficit), beginning of the year	(53,840)	5,358	(48,482)	(48,160)
Net income (loss) for the year	(5,125)	2,335	(2,790)	(322)
Retained earnings (deficit), end of the year	(58,965)	7,693	(51,272)	(48,482)

THE ST. LAWRENCE SEAWAY AUTHORITY—*Continued*

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1990
(in thousands of dollars)

	1990			1989
	Seaway	Thousand Islands Bridge	Total	Total
Cash provided by (used in)				
Operating activities				
Income (loss) for the year	(5,125)	2,335	(2,790)	(322)
Items not involving cash				
(Profit) loss on disposal of fixed assets	34		34	153
Depreciation	10,528	32	10,560	10,496
Provision for termination benefits	1,818		1,818	1,497
Net change in working capital components other than cash and term deposits	1,348	(2,164)	(816)	934
Payment of termination benefits	(1,664)		(1,664)	(1,543)
Cash provided by operating activities	6,939	203	7,142	11,215
Financing activities				
Funding from Federal Government for Welland Canal Rehabilitation Program	26,900		26,900	25,400
Cash provided by financing activities	26,900		26,900	25,400
Investing activities				
Reduction in long-term receivables	56		56	54
Increase in investments	(3,422)		(3,422)	(8,500)
Increase in fixed assets	(29,271)	(203)	(29,474)	(26,029)
Cash used in investing activities	(32,637)	(203)	(32,840)	(34,475)
Increase in cash	1,202		1,202	2,140
Cash and term deposits at beginning of year	15,557		15,557	13,417
Cash and term deposits at end of year	16,759		16,759	15,557
Working capital position at end of year				
Current assets	28,630		28,630	28,233
Current liabilities	20,079	(6,258)	13,821	15,831
	8,551	6,258	14,809	12,402

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1990

1. Authority and objectives

The St. Lawrence Seaway Authority was established in 1954 under The St. Lawrence Seaway Authority Act and is classified as a parent Crown corporation under Schedule III Part I of the Financial Administration Act.

The Authority was established to construct and operate a deep waterway between the Port of Montreal and Lake Erie together with such works and other property, including bridges incidental to the deep waterway, as deemed necessary by the Governor in Council.

Under the St. Lawrence Seaway Act the Authority must file the tariff of tolls with the National Transportation Agency. This tariff of tolls then becomes operative from the date of filing.

2. Accounting policies

The financial statements have been prepared in accordance with accounting principles generally accepted in Canada. A summary of significant accounting policies follows:

(a) Supplies inventory

Supplies inventory comprises equipment and supplies used in the operation and maintenance of the Seaway and is recorded at cost.

(b) Investments in subsidiaries

Investments in wholly-owned subsidiary companies are recorded at cost. The financial statements of the subsidiary companies have not been consolidated in these financial statements because changes in the equity of the subsidiaries do not accrue to the Authority. Separate audited financial statements for each of the subsidiary companies are available to the public.

THE ST. LAWRENCE SEAWAY AUTHORITY—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1990—*Continued*

(c) Fixed assets

Fixed assets are recorded at cost. Replacements and major improvements which increase the capacity of the deep waterway system or extend the estimated useful lives of existing assets are capitalized. Repairs and maintenance are charged to operations as incurred and major betterments incurred to assure the reliability of the system are capitalized. The cost of assets sold, retired, or abandoned, and the related accumulated depreciation are removed from the accounts on disposal. Gains or losses on disposals are credited or charged to operations.

Depreciation is recorded using the straight-line method based on the estimated useful lives of the assets.

(d) Welland Canal Rehabilitation Program

Funding received from the Government of Canada for this program is accounted for by crediting the amount against the costs of related capital projects undertaken during the year, with depreciation to be calculated on the net amount.

(e) Employee termination benefits

Employees of the Authority are entitled to specified benefits on termination as provided for under labour contracts and conditions of employment. The liability for these benefits is recorded in the accounts as the benefits accrue to employees.

(f) Pension plan

All employees of the Authority are covered by the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the Plan are required from both the employee and the Authority. These contributions represent the total liability of the Authority and are recognized in the accounts on a current basis.

(g) Employee life insurance plan

The Authority provides a life insurance plan for its employees. Surpluses and deficits from the plan are included in revenues and/or expenses in the year in which they are incurred.

(h) Insurance

The Authority assumes substantially all risks in relation to compensation and damages to its locks. For all other assets the Authority carries conventional insurance.

(i) Thousand Islands Bridge

In September 1976, the Minister of Transport entrusted the Authority with the management and operation of the Thousand Islands Bridge, while the real property was vested in the name of Her Majesty in Right of Canada. Subsequent capital expenditures made by the Authority to improve the Bridge have been recorded as fixed assets. The retained earnings of the Bridge represent its cumulative earnings since September 1976.

These financial statements have segregated the operations of the Thousand Islands Bridge on the premise that its management and operation by the Authority is independent of Seaway operations.

3. Long-term investments

In order to provide for major capital improvement projects of The St. Lawrence Seaway and the rehabilitation of the Canadian span at the Thousand Islands Bridge and for future employee termination benefits, the Authority has set aside the following long-term investments:

	1990	1989
	(in thousands of dollars)	
Capital improvement		
Government of Canada Bonds, maturing on varying dates up to 1995	9,053	14,940
Par value $9,000 (1989—$15,000)		
Market value $8,292 (1989—$14,459)		
Treasury Bills, maturing on varying dates up to March 1991	12,809	8,500
Investment Certificates, maturing March 1994 and March 1995	10,000	5,000
	31,862	28,440
Termination benefits		
Deposit with Consolidated Revenue Fund, maturing March 1994	13,000	
Treasury Bill		13,000
	44,862	41,440

4. Long-term receivables

The Authority has entered into long-term contractual agreements for the sale of one parcel of land and for the recovery of costs associated with the construction of certain facilities. Long-term receivables outstanding at March 31 are as follows:

	1990	1989
	(in thousands of dollars)	
5 1/2% interest, recoverable in blended annual instalments of $28,000, maturing in 1995	93	115
Non-interest bearing, recoverable in annual instalments of $33,952, maturing in 1990		34
	93	149

5. Subsidiaries and related parties

Investments in wholly-owned subsidiaries consist of the following:

	Number of shares	Cost
		$
Great Lakes Pilotage Authority, Ltd. (GLPA)	15	1,500
The Jacques Cartier and Champlain Bridges Incorporated (JCCB)	1	100
The Seaway International Bridge Corporation, Ltd. (SIBC)	8	8,000
		9,600

THE ST. LAWRENCE SEAWAY AUTHORITY—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1990—*Continued*

During the year ended March 31, 1990, the Authority provided JCCB with certain administration services for which it charged $653,000 (1989—$745,000). At March 31, 1990, $76,000 was outstanding (1989—$189,000).

Each calendar year, SIBC pays a bridge user charge to the Authority (1989—$406,018; 1988—$182,580) towards amortization of the Authority's construction and interest costs related to the North Channel Bridge. At March 31, 1990, $5.2 million (1989—$5.6 million) in construction costs remained unamortized. During the 1987 year, a reduction of $5.3 million was caused by the cancellation of interest, as explained in Note 7.

The Canadian Coast Guard provides the Authority with navigational aids services. The fee paid by the Authority for this service during the year amounted to $565,000 (1989—$545,000).

6. Fixed assets

	Depreciation rate	1990 Cost	1990 Accumulated depreciation	1990 Net	1989 Net
		(in thousands of dollars)			
Seaway					
Land		30,027		30,027	30,100
Channels and canals	1%	249,108	73,657	175,451	177,942
Locks	1%	237,295	89,898	147,397	149,302
Bridges and tunnels	2%	101,521	46,055	55,466	57,547
Buildings	2%	12,056	6,927	5,129	5,305
Equipment	2-20%	28,798	14,945	13,853	14,938
Remedial works	1%	121,458	25,331	96,127	97,344
Works under construction		1,807		1,807	969
		782,070	256,813	525,257	533,447
Thousand Islands Bridge					
Improvements	2%	1,552	343	1,209	1,241
Works under construction		226		226	23
		783,848	257,156	526,692	534,711

Welland Canal Rehabilitation Program

In 1985, the Authority engaged consultants to examine in detail, and report on, the structural condition of the Welland Canal system. The report was submitted during 1986 and, as a result, a seven-year $175 million rehabilitation program has been established to refit the Welland Canal and ensure a continued safe and reliable waterway into the 21st century. The program consists of refurbishing of lock walls, stabilizing the canal banks and approach walls, and rehabilitating ancillary structures.

During 1986, the Government of Canada approved funding for the financing of the Welland Canal Rehabilitation Program for an amount not to exceed $175 million over a period of seven years. To date the federal government funding has amounted to $90 million, all of which has been spent on the program and has been deducted from related works under construction. As at March 31, 1990, $85.8 million of the approved amount for the first four years was received and $4.2 million is included in accounts receivable.

The Government of Canada funding for the remainder of the program is:

	(in millions of dollars)
1990-91	27.3
1991-92	28.7
1992-93	29.0
Total	85.0

7. Contributed capital

As of April 1, 1977, loans from Canada of $624.95 million were converted to equity by parliamentary appropriation. This amount was recorded as contributed capital. The unpaid interest of $210 million on these loans was not converted and was reflected on the balance sheet as deferred interest.

In December 1987, this deferred interest was forgiven by the Government of Canada and written off by the Authority.

The parliamentary appropriation authorizing the 1977 conversion of loans from Canada to equity also authorized the Minister to fix, from time to time, the amount that shall be paid by the Authority annually out of its toll revenue as a return on capital. No return on capital has been required to be paid for the years ended March 31, 1990 and 1989.

THE ST. LAWRENCE SEAWAY AUTHORITY—*Continued*

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 1990—*Concluded*

8. Income taxes

The Authority, as a prescribed Federal Crown corporation, is subject to the provisions of the Income Tax Act. The Authority is not subject to any provincial income taxes.

Currently, undepreciated capital cost for tax purposes is in excess of the net book value of fixed assets by approximately $216 million. The tax effect of this excess has not been recorded in the accounts of the Authority. The Authority also has accumulated research and development costs of approximately $4 million which are available to reduce the taxable income of future years.

The Authority is of the opinion that the forgiveness of the $210 million in deferred interest by the Government of Canada (see Note 7) will not result in any tax liability. Discussions are continuing between the Authority and the Department of National Revenue to resolve the matter.

The Federal Budget of April 1989 included the introduction of a Large Corporation Tax. The tax is to be levied on taxable capital employed in Canada and is to be applied after June 1989. While the legislation to effect this tax is not yet in place, the Authority has made provision for the estimated amount payable.

9. Commitments

At March 31, 1990, contractual obligations for capital and other expenditures, including Welland Canal Rehabilitation Program, amounted to $4.7 million (1989—$3.1 million).

The Authority is committed to make future minimum operating lease payments, required for office space for a term in excess of one year, as follows:

	(in thousands of dollars)
1990-91	269
1991-92	269
1992-93	269
1993-94	269
1994-95	269
Subsequent years	425

10. Contingencies

There is a total of $86.6 million in claims instituted against the Authority. These arise from a breakdown of the Valleyfield bridge in November 1984, an October 1985 Lock 7 wall blowout, compensation and damages in connection with the expropriation of lands and various other claims. The Authority is contesting all these claims and their outcome cannot be determined at this time although management is of the opinion that these actions will not result in any material losses to the Authority. The Authority is also the claimant in certain other pending or threatened claims and lawsuits.

THE ST. LAWRENCE SEAWAY AUTHORITY—*Continued*

APPENDIX 1

THE JACQUES CARTIER AND CHAMPLAIN BRIDGES INCORPORATED

AUDITOR'S REPORT

TO THE MINISTER OF TRANSPORT

I have examined the balance sheet of The Jacques Cartier and Champlain Bridges Incorporated as at March 31, 1990 and the statements of operations, deficit, contributed capital and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1990 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with Part X of the Financial Administration Act and regulations and the charter and by-laws of the Corporation.

Raymond Dubois, F.C.A.
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
May 4, 1990

BALANCE SHEET AS AT MARCH 31, 1990

ASSETS	1990	1989
	$	$
Current		
Cash and Treasury bills	4,064,877	3,765,770
Accounts receivable	108,719	71,539
Due from Canada	3,129,245	2,154,751
	7,302,841	5,992,060
Fixed		
Land	3,771,945	3,771,945
Bridges	73,277,951	73,276,394
Vehicles and equipment	907,630	822,152
	77,957,526	77,870,491
Less: accumulated depreciation	61,004,427	59,907,062
	16,953,099	17,963,429
	24,255,940	23,955,489

LIABILITIES	1990	1989
	$	$
Current		
Accounts payable	3,640,602	2,266,766
Due to parent company	66,103	189,091
Deferred revenues	404,620	344,687
	4,111,325	2,800,544
Long-term		
Provision for employee termination benefits	703,563	646,204
	4,814,888	3,446,748
SHAREHOLDER'S EQUITY		
Capital stock		
Authorized—50 shares without par value		
Issued and fully paid—1 share	100	100
Contributed capital	32,699,587	32,592,693
Deficit	(13,258,635)	(12,084,052)
	19,441,052	20,508,741
	24,255,940	23,955,489

Approved by the Board:

GLENDON R. STEWART
Director

ROGER FORGUES
Director

THE ST. LAWRENCE SEAWAY AUTHORITY—*Continued*

APPENDIX 1—*Continued*

THE JACQUES CARTIER AND CHAMPLAIN BRIDGES INCORPORATED—*Continued*

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 1990

	Jacques Cartier Bridge	Champlain Bridge	Total 1990	Total 1989
	$	$	$	$
Revenues				
Tolls		7,978,204	7,978,204	7,874,963
Interest	108,168	324,503	432,671	373,683
Other	147,985	142,310	290,295	281,183
	256,153	8,445,017	8,701,170	8,529,829
Expenses				
Maintenance	5,979,069	9,107,955	15,087,024	11,047,699
Operation	1,116,508	4,104,499	5,221,007	4,469,291
Administration	605,325	1,551,523	2,156,848	2,131,982
Depreciation	69,007	1,048,217	1,117,224	1,133,150
	7,769,909	15,812,194	23,582,103	18,782,122
Loss before unusual item	7,513,756	7,367,177	14,880,933	10,252,293
Unusual item—Licensee revenue from prior years				501,822
Loss for the year	7,513,756	7,367,177	14,880,933	9,750,471

STATEMENT OF DEFICIT
FOR THE YEAR ENDED MARCH 31, 1990

	1990	1989
	$	$
Balance at beginning of the year	12,084,052	10,946,102
Loss for the year	14,880,933	9,750,471
	26,964,985	20,696,573
Parliamentary appropriation—Operations	13,706,350	8,612,521
Balance at end of the year	13,258,635	12,084,052

STATEMENT OF CONTRIBUTED CAPITAL
FOR THE YEAR ENDED MARCH 31, 1990

	1990	1989
	$	$
Balance at beginning of the year	32,592,693	32,584,464
Parliamentary appropriation—Fixed assets	106,894	8,229
Balance at end of the year	32,699,587	32,592,693

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1990

	1990	1989
	$	$
Operating activities		
Net loss for the year	(14,880,933)	(9,750,471)
Non-cash items		
Depreciation	1,117,224	1,133,150
Increase in the provision for employee termination benefits	57,359	44,300
Gain on disposal of fixed assets		(39,500)
	(13,706,350)	(8,612,521)
Changes in non-cash items of working capital	1,273,601	240,956
	(12,432,749)	(8,371,565)
Investing activities		
Additions to fixed assets	(109,029)	(61,329)
Proceeds from the disposal of fixed assets	2,135	53,100
	(106,894)	(8,229)
Financing activities		
Parliamentary appropriation	13,813,244	8,620,750
Cash and cash equivalents		
Increase for the year	1,273,601	240,956
Balance at beginning of the year	5,920,521	5,679,565
Balance at end of the year (*)	7,194,122	5,920,521
(*) Cash and Treasury bills	4,064,877	3,765,770
Due from Canada	3,129,245	2,154,751
	7,194,122	5,920,521
Working capital position at year-end		
Current assets	7,302,841	5,992,060
Current liabilities	4,111,325	2,800,544
	3,191,516	3,191,516

THE ST. LAWRENCE SEAWAY AUTHORITY—*Continued*

APPENDIX 1—*Continued*

THE JACQUES CARTIER AND CHAMPLAIN BRIDGES INCORPORATED—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1990

1. Authority and activities

The Jacques Cartier and Champlain Bridges Incorporated was established under the Canada Business Corporations Act on November 3, 1978 and is a wholly owned subsidiary of The St. Lawrence Seaway Authority, which is a Crown corporation named in Part I of Schedule III to the Financial Administration Act.

The Corporation is partially dependent on the Government of Canada for its financing.

Effective December 1, 1978, the Corporation assumed the responsibility for the operation, maintenance and control of the Jacques Cartier and Champlain bridges and of a portion of the Bonaventure Autoroute, situated in the Montreal area.

2. Significant accounting policies

(a) Fixed assets

Fixed assets acquired from the National Harbours Board (now Canada Ports Corporation) on December 1, 1978 were recorded at their then book values with an offset to contributed capital. Subsequent additions are recorded at cost.

Fixed assets are depreciated over their estimated economic lives using the straight-line method, at the following rates:

Jacques Cartier Bridge	4.8%
Champlain Bridge	2.5%
Vehicles and equipment	10% and 20%

The cost of the portion of the Bonaventure Autoroute for which the Corporation is responsible and the initial cost of the Jacques Cartier Bridge are fully depreciated.

(b) Parliamentary appropriation

The amount of the parliamentary appropriation used to cover the loss for the year is reflected in the statement of deficit. In this regard, operating expenses do not include depreciation and any change in the provision for employee termination benefits.

The portion of the parliamentary appropriation used to finance the acquisition of fixed assets is recorded as contributed capital.

Any balance of the parliamentary appropriation required to finance the loss for the year and not received at the year-end is shown as an amount due from Canada. Any parliamentary appropriation received in excess of requirements is recorded as due to Canada. It is the Corporation's policy to reimburse this amount in the following fiscal year.

(c) Deferred revenues

The estimated value of unredeemed toll tokens and tickets as well as rental revenues collected in advance are recorded as deferred revenues.

(d) Employee termination benefits

On termination of employment, employees are entitled to certain benefits provided under their collective agreements and their conditions of employment. The cost of these benefits is expensed in the year in which they are earned.

(e) Pension plan

Employees participate in the Superannuation Plan administered by the Government of Canada. The employees and the Corporation contribute equally to the cost of the Plan. This contribution represents the total liability of the Corporation. Contributions in respect of current service and of admissible past service are expensed when paid. The terms of payment of past service contributions are set by the applicable purchase conditions, generally over the number of years of service remaining prior to retirement.

(f) Expenses

Expenses incurred with respect to the portion of the Bonaventure Autoroute for which the Corporation is responsible are included with those for the Champlain Bridge.

(g) Income tax

As a federal Crown corporation, the Corporation is not subject to provincial income tax. However, it is subject to the federal Income Tax Act from the fact that its parent Corporation has been prescribed by regulation under that Act.

3. Related party transactions

Related party transactions not otherwise disclosed in these financial statements are as follows:

Operation services are received from the Montreal Port Corporation. The amount invoiced for regular services for the year ended March 31, 1990 amounts to $573,410 ($2,227,475 for 1989). No amount was unpaid as at March 31, 1990 ($191,136 as at March 31, 1989).

Administrative services from the parent company amounted to $696,195 ($745,228 in 1989). As at March 31, 1990, an unpaid balance thereon of $66,103 ($188,600 in 1989) is included in the amount due to the parent company. The Corporation estimates the cost of such services for the next year to be approximately $685,000.

4. Commitments

(a) Leases

The aggregate minimum rental payments under long-term leases for equipment and premises through to April 30, 1992 are approximately $300,000 on an annual basis.

(b) Operation services

The minimum amount which will be paid in future years under an agreement for operation services ending on June 30, 1994 is $2,644,560 on an annual basis.

(c) Suppliers

At March 31, 1990, contractual obligations to suppliers amounted to $36,751,507.

THE ST. LAWRENCE SEAWAY AUTHORITY—*Continued*

APPENDIX 1—*Concluded*

THE JACQUES CARTIER AND CHAMPLAIN BRIDGES INCORPORATED—*Concluded*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1990—*Concluded*

5. Major maintenance

In its endeavour to keep the bridges and the autoroute in a good state of repair, to protect the public and serve traffic needs throughout the useful life of these installations, the Corporation must undertake major repairs, notably on the deck of both bridges. The cost of the repairs to the deck of the Champlain bridge is estimated at $33 million; work will begin during the next year. With regard to the repairs to the Jacques Cartier bridge, the urgency and the nature of the work have yet to be defined; it is therefore not possible at this time to assess the cost of the program which will have to be carried out over a number of years. It is expected that the eventual cost of this program will be funded through parliamentary appropriations.

6. Contingencies

In connection with its operations, the Corporation is the claimant or defendant in certain pending claims and lawsuits. It is the opinion of management that these actions will not result in any material liabilities to the Corporation.

7. Forgiveness of debts due to Canada

Under an Act passed by Parliament on December 10, 1987 authorizing their forgiveness, the Corporation has written off from its accounts the loans from Canada and the interest in arrears thereon aggregating $110,756,052. The portion of this amount representing the debts assumed at the time the Corporation was created, namely $104,193,149, has been offset to the capital deficiency. The balance of $6,562,903 representing interest subsequently charged to operations has been credited to the deficit.

The Corporation is of the opinion that the forgiveness of these liabilities shall not give rise to any income tax obligation. A ruling to this effect has been requested from the Department of National Revenue.

8. Subsequent event

The Minister of Transport has decided to abolish the tolls for the Champlain bridge from May 4, 1990. Consequently, the Corporation will have to pay during the following year approximately $2,000,000 (of which $355,449 are recorded as at March 31, 1990 as employee termination benefits) for employee termination benefits, costs of removing certain installations, and costs of terminating equipment leases. The net loss of revenue resulting from this decision, of approximately $6,000,000 per year, will be funded through parliamentary appropriation.

THE ST. LAWRENCE SEAWAY AUTHORITY—*Continued*

APPENDIX 2

THE SEAWAY INTERNATIONAL BRIDGE CORPORATION, LTD.

AUDITOR'S REPORT

TO THE MINISTER OF TRANSPORT

I have examined the balance sheet of The Seaway International Bridge Corporation, Ltd. as at December 31, 1989 and the statements of operations and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1989 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with Part X of the Financial Administration Act and regulations, the Canada Business Corporations Act, The St. Lawrence Seaway Authority Act and by-laws of the Corporation.

Raymond Dubois, F.C.A.
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
February 9, 1990

BALANCE SHEET AS AT DECEMBER 31, 1989

ASSETS	1989	1988
	$	$
Current		
Cash and short-term deposits	500,415	156,626
Accounts receivable	11,967	10,031
	512,382	166,657
Fixed		
Cost	437,069	429,645
Less: accumulated depreciation	216,144	175,217
	220,925	254,428
	733,307	421,085

LIABILITIES	1989	1988
	$	$
Current		
Accounts payable and accrued liabilities	61,125	43,738
Accrued employee termination benefits	118,574	
Due to The St. Lawrence Seaway Authority	281,727	32,580
Deferred revenue	32,487	21,173
	493,913	97,491
Long-term		
Accrued employee termination benefits	223,394	307,594
Debentures payable (Note 3)	8,000	8,000
	231,394	315,594
	725,307	413,085
SHAREHOLDER'S EQUITY		
Capital stock		
Authorized—An unlimited number of common shares		
Issued and fully paid—8 shares	8,000	8,000
	733,307	421,085

Approved by the Board:

G. R. STEWART
President and Director

JAMES L. EMERY
Vice-President and Director

THE ST. LAWRENCE SEAWAY AUTHORITY—*Continued*

APPENDIX 2—*Continued*

THE SEAWAY INTERNATIONAL BRIDGE CORPORATION, LTD.—*Continued*

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 1989

	1989	1988
	$	$
Revenues		
Tolls	1,953,875	1,611,911
Rentals	66,928	66,928
Interest	35,468	13,227
Other	4,922	7,095
	2,061,193	1,699,161
Expenses		
Salaries and employee benefits	1,099,640	1,055,889
Maintenance, materials and services	369,618	299,297
Insurance	43,358	49,981
Depreciation	40,927	33,621
Employee termination benefits	37,297	23,242
Electricity	17,642	17,954
Office supplies	11,042	4,733
Professional services	10,872	1,200
Grants in lieu of municipal taxes	9,403	7,677
Telephone	3,560	3,898
Travel	2,794	2,100
Advertising	400	1,334
Other	8,622	9,727
Rental of toll collection machines		5,928
	1,655,175	1,516,581
Excess of revenues over expenses due as bridge user charge (Note 4)	406,018	182,580

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1989

	1989	1988
	$	$
Operating activities		
Cash provided from (used in) operations		
Excess of revenues over expenses due as bridge user charge	406,018	182,580
Items not requiring cash		
Employee termination benefits	37,297	23,242
Depreciation	40,927	33,621
Loss on disposal of assets		727
	484,242	240,170
Decrease (increase) in accounts receivable	(1,936)	2,107
Increase (decrease) in accounts payable and accrued liabilities	311,669	(64,324)
Payments to The St. Lawrence Seaway Authority for bridge user charge	(332,579)	(318,458)
Increase (decrease) in deferred revenue	11,314	(88)
Transfer of long-term portion of accrued employee termination benefits to current liabilities	(118,574)	
Payments of employee termination benefits	(2,923)	(21,513)
	351,213	(162,106)
Investing activities		
Additions to fixed assets	(7,424)	(43,278)
Increase (decrease) in cash	343,789	(205,384)
Cash and short-term deposits, beginning of the year	156,626	362,010
Cash and short-term deposits, end of the year	500,415	156,626
Working capital position at year-end		
Current assets	512,382	166,657
Current liabilities	493,913	97,491
	18,469	69,166

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1989

1. Authority and activities

The Seaway International Bridge Corporation, Ltd. is a Crown corporation pursuant to the Financial Administration Act and is a wholly-owned subsidiary of The St. Lawrence Seaway Authority, a parent Crown corporation named in Schedule III Part I of the aforementioned Act. The Corporation was incorporated under the Canada Corporations Act in 1962, continued under the Canada Business Corporations Act, and is subject to The St. Lawrence Seaway Authority Act. Its purpose is to operate and manage the international toll bridge system between Cornwall, Ontario, and Rooseveltown, New York, on behalf of The St. Lawrence Seaway Authority and its U.S. counterpart, the Saint Lawrence Seaway Development Corporation.

THE ST. LAWRENCE SEAWAY AUTHORITY—*Concluded*

APPENDIX 2—*Concluded*

THE SEAWAY INTERNATIONAL BRIDGE CORPORATION, LTD.—*Concluded*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1989—*Concluded*

2. Accounting policies

The financial statements have been prepared in accordance with accounting principles generally accepted in Canada. A summary of significant accounting policies follows:

Bridge user charge

As described in Note 4 to the financial statements, the Corporation is required to distribute as a bridge user charge its excess of revenues over expenses. The current year excess is included in the "Due to The St. Lawrence Seaway Authority" amount on the balance sheet.

Payments are dependent on the Corporation's ability to generate excess revenues. Accordingly, the unpaid balances the total cost to The St. Lawrence Seaway Authority and the Saint Lawrence Seaway Development Corporation, as set out in Note 4, are not recorded as a liability in the books of the Corporation.

Fixed assets and depreciation

Fixed assets are recorded at cost. These costs include moveable and removeable assets acquired to operate the bridge. The cost of the North Channel Bridge is recorded in the books of The St. Lawrence Seaway Authority.

Depreciation on these assets is based on their estimated useful life and is calculated on the straight-line method at the following annual rates:

Automotive	20%
Maintenance equipment	10% to 20%
Office and toll equipment	10% to 20%
Bridge equipment	5%

Employee termination benefits

Employees are entitled to specified benefits on termination as provided for under the conditions of employment. The liability for these benefits is recorded in the accounts as the employees become entitled to the benefits.

Pension plan

Employees are covered by the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the Plan are required from both the employee and the Corporation. These contributions represent the total pension liability of the Corporation and are recognized in the accounts on a current basis.

Deferred revenue

Revenue from unredeemed toll tickets is deferred.

Employee life insurance plan

The Corporation provides an annual life insurance plan for its employees on a self-insurance basis. Surpluses, premiums and deficits from the plan are included in revenues and/or expenses in the year in which they apply.

3. Debentures payable

These debentures, due on December 31, 2012, are non-interest bearing and payable to the Saint Lawrence Seaway Development Corporation.

4. Bridge user charge

By agreement between The St. Lawrence Seaway Authority and the Saint Lawrence Seaway Development Corporation, the annual excess of revenues over expenses of the Corporation is due as a bridge user charge; first, to the Authority to offset the amortization of the cost of the North Channel Bridge together with interest; then to the Saint Lawrence Seaway Development Corporation to offset the amortization of a $300,000 contribution towards the cost of the Raquette River Bridge; and the balance, if any, is then divided equally between both parties.

All bridge user charges since the commencement of the Corporation's operations have been paid to The St. Lawrence Seaway Authority. At December 31, the unpaid balance of the total cost of the North Channel Bridge was as follows:

	1989	1988
	$	$
Cost of construction	8,539,695	8,539,695
Interest	2,569,652	2,569,652
	11,109,347	11,109,347
Less: bridge user charges		
Beginning of year	5,480,554	5,297,974
Current charge	406,018	182,580
End of year	5,886,572	5,480,554
Unpaid balance to The St. Lawrence Seaway Authority	5,222,775	5,628,793

5. Bridge use

With the approval of the National Transportation Agency of Canada, the Corporation has continued the practice of providing free usage of the bridge system to certain North American Indians. This represents a substantial portion of the Bridge traffic.

6. Related party transactions

In addition to the transactions disclosed elsewhere in these financial statements, The St. Lawrence Seaway Authority provides to the Corporation, without charge, certain engineering and administrative support services.

STANDARDS COUNCIL OF CANADA

AUDITOR'S REPORT

TO THE STANDARDS COUNCIL OF CANADA
AND THE
MINISTER OF CONSUMER AND CORPORATE AFFAIRS

I have examined the balance sheet of the Standards Council of Canada as at March 31, 1990 and the statements of operations, retained earnings and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Council as at March 31, 1990 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied, except for the change in the method of accounting for purchased foreign standards as explained in Note 3 of the financial statements, on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Council that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with Part X of the Financial Administration Act and regulations, the Standards Council of Canada Act and by-laws of the Council.

D. L. Meyers, F.C.A.
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
May 25, 1990

BALANCE SHEET MARCH 31, 1990

ASSETS	1990	1989	LIABILITIES	1990	1989
	$	$		$	$
Current			Current		
Cash	557,936	546,049	Accounts payable and accrued liabilities	795,302	606,407
Accrued interest	11,211	7,218	Customer and other deposits	68,035	51,369
Accounts receivable			Deferred sales revenue	221,591	
Federal government departments	256,134	201,089		1,084,928	657,776
Other	268,293	123,675	Long-term		
Parliamentary appropriation receivable	469,000	269,896	Provision for employee termination		
Inventory of foreign standards (Note 3)	56,720		benefits	242,491	256,453
Prepaid expenses	375,939	214,471		1,327,419	914,229
	1,995,233	1,362,398	EQUITY OF CANADA		
Fixed					
Office furniture and equipment (Note 4)	229,426	244,373	Retained earnings	897,240	692,542
	2,224,659	1,606,771		2,224,659	1,606,771

Approved by the Council:

GEORGES ARCHER
President

JOHN WOODS
Executive Director

STANDARDS COUNCIL OF CANADA—*Continued*

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 1990

	1990	1989
	$	$
Expenses		
Salaries, wages and employee benefits	3,359,381	2,922,552
Travel	1,295,550	1,353,410
Direct cost of standards purchases (Note 3)	1,070,940	727,510
Publications and printing	846,738	658,892
Membership in international organizations	749,838	806,803
Office accommodation	458,818	436,887
Financial assistance to standards-writing organizations	400,000	400,000
Public relations	286,122	189,171
Telephone and postage	247,411	265,697
Professional and special services	148,682	127,712
Depreciation	122,327	115,391
Meetings	70,980	135,417
Rental of office equipment	48,656	99,339
Office supplies	45,657	41,711
Other	209,119	180,065
	9,360,219	8,460,557
Less: GATT Enquiry Point/Europe 1992 operating costs recovered from Department of External Affairs	484,733	364,311
costs of development assistance programs recovered from Canadian International Development Agency (CIDA)	21,737	61,684
	8,853,749	8,034,562
Revenues		
Sale of standards	1,340,848	917,812
Interest income	85,934	64,241
Other	67,665	78,421
	1,494,447	1,060,474
Cost of operations	7,359,302	6,974,088
Parliamentary appropriation		
Consumer and Corporate Affairs Vote 30 (1989—Vote 25)	7,564,000	6,923,896
Excess (deficiency) of parliamentary appropriation over cost of operations for the year	204,698	(50,192)

STATEMENT OF RETAINED EARNINGS
FOR THE YEAR ENDED MARCH 31, 1990

	1990	1989
	$	$
Balance at beginning of the year	692,542	742,734
Excess (deficiency) of parliamentary appropriation over cost of operations for the year	204,698	(50,192)
Balance at end of the year	897,240	692,542

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1990

	1990	1989
	$	$
Operating activities		
Excess (deficiency) of parliamentary appropriation over cost of operations for the year	204,698	(50,192)
Items not requiring an outlay of cash		
Depreciation	122,327	115,391
Depreciation charges recovered from GATT Enquiry Point	24,000	24,000
Employee termination benefits accrued	72,368	57,684
	423,393	146,883
Payment of employee termination benefits	(86,330)	(8,795)
Changes in current liabilities and current assets other than cash	(193,796)	(128,079)
Cash provided by operating activities	143,267	10,009
Investing activities		
Purchase of office furniture and equipment	(131,380)	(67,596)
Increase (decrease) in cash during the year	11,887	(57,587)
Cash at beginning of the year	546,049	603,636
Cash at end of the year	557,936	546,049

STANDARDS COUNCIL OF CANADA—*Concluded*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1990

1. Authority and objectives

The Standards Council of Canada was created by Parliament as a corporation under the Standards Council of Canada Act in 1970 to be the national co-ordinating body for voluntary standardization. The Council is a Crown corporation named in Part I of Schedule III to the Financial Administration Act. The Council carries out its task through the National Standards System, a federation of accredited organizations concerned with standards-writing, certification, and testing.

The objectives of the Council are to foster and promote voluntary standardization in fields relating to the construction, manufacture, production, quality, performance, and safety of buildings, structures, manufactured articles, and products and other goods and to further international co-operation in the field of standards.

2. Significant accounting policies

(a) Office furniture and equipment

Office furniture and equipment are recorded at cost and depreciated on a straight-line basis over the estimated useful life of the assets as follows:

Furniture	5 years
Equipment	4 years

(b) Inventory

Inventory of foreign standards is valued at the lower of cost or replacement cost.

(c) Recognition of recoverable expenses

Recoveries, in respect of agreements with the Department of External Affairs for the operation of the GATT Enquiry Point/Europe 1992, and for development assistance programmes, are recognized at the time the related expenses are incurred.

(d) Parliamentary appropriation

Parliamentary appropriation is recorded on an accrual basis in the year in which the corresponding expenses are incurred but is drawn upon only as cash disbursements are made.

(e) Employee termination benefits

Employees are entitled to specified benefits on termination as provided for under labour contracts and conditions of employment. The liability for these benefits is recorded in the accounts as the benefits accrue to the employees.

(f) Pension plan

Employees are covered by the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the Plan are required from both the employee and the Council. Contributions with respect to current service are expensed on a current basis.

3. Change in accounting policy

During the year, the method of accounting for purchased foreign standards by expensing certain standards purchased for resale has been revised to better match revenue and expense. Such purchases are now inventoried and charged to operations only when standards are sold. This change in accounting policy has not been applied retroactively because the inventory is not reasonably determinable for prior periods. The current year effect was to reduce the expense of direct cost of standards purchases by $56,720, and gave rise to a corresponding inventory of foreign standards of $56,720.

4. Office furniture and equipment

	1990			1989
	Cost	Accumulated depreciation	Net book value	Net book value
	$	$	$	$
Office furniture	164,676	129,658	35,018	43,118
Office equipment	685,497	491,089	194,408	201,255
	850,173	620,747	229,426	244,373

5. Lease commitment

The Council is leasing office space at its present location for a five-year term which expires in June 1992. The future minimum annual rental under this agreement is $410,133.

6. Related party transactions

In addition to those related party transactions disclosed elsewhere in these financial statements, the Council is related in terms of common ownership to all Government of Canada created departments, agencies, and Crown corporations. The Council enters into transactions with these entities in the normal course of business.

TELEGLOBE CANADA

AUDITOR'S REPORT

TO THE MINISTER OF FINANCE

I have examined the balance sheet of Teleglobe Canada as at December 31, 1989 and the statements of income and retained earnings and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1989 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with Part X of the Financial Administration Act and regulations, the Teleglobe Canada Act and regulations, the by-laws of the Corporation and the Teleglobe Canada Reorganization and Divestiture Act.

Raymond Dubois, F.C.A.
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
February 27, 1990

BALANCE SHEET AS AT DECEMBER 31, 1989

ASSETS	1989	1988	LIABILITIES	1989	1988
	$	$		$	$
Current			Current		
Cash and temporary investments, at cost	310,828	2,766,372	Accounts payable	12,128	10,797
Accrued interest	1,049	170,850	Revenue Canada	5,037	213,917
				17,165	224,714
			EQUITY OF CANADA		
			Retained earnings	294,712	2,712,508
	311,877	2,937,222		311,877	2,937,222

Approved by the Board:

JACQUES DE COURVILLE NICOL
Director

RONALD J. MONTCALM
Director

TELEGLOBE CANADA—*Concluded*

INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 1989

	1989	1988
	$	$
Revenues		
Interest	244,410	5,164,523
Expenses		
Administration fees	98,868	88,655
Financial charges	246	1,785
Interest on insufficient income tax installments		96,000
	99,114	186,440
Income before income tax	145,296	4,978,083
Income tax	63,092	2,080,209
Net income	82,204	2,897,874
Retained earnings at beginning	2,712,508	84,814,634
	2,794,712	87,712,508
Amounts remitted to the Government of Canada	2,500,000	85,000,000
Retained earnings at end	294,712	2,712,508

CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1989

	1989	1988
	$	$
Cash provided by (used for) operations		
Net income	82,204	2,897,874
Changes in non-cash working capital items	(37,748)	295,000
	44,456	3,192,874
Cash provided by investments		
Income tax refunded		48,968,198
Amounts remitted to the Government of Canada	(2,500,000)	(85,000,000)
Cash and temporary investments		
Decrease	(2,455,544)	(32,838,928)
Balance at beginning of year	2,766,372	35,605,300
Balance at end of year	310,828	2,766,372

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1989

1. Authority and activities

Teleglobe Canada is a Crown corporation created by the Teleglobe Canada Act and named in Part II of Schedule III to the Financial Administration Act. The Corporation is subject to federal income tax.

Since the sale of its undertaking to Memotec Data Inc. on April 3, 1987, following the adoption of the Teleglobe Canada Reorganization and Divestiture Act, the Corporation's activities consist of the management of its cash resources and the performance of other duties and functions leading to dissolution. The foregoing Act stipulates that on dates to be fixed by proclamation, the Corporation's name will be changed to TH (1987) and it will be wound up.

2. Guarantees

As at December 31, 1989, the Corporation is guarantor of the following obligations of Teleglobe Canada Inc. towards one of its suppliers:

Maturities	Amounts in pounds sterling
May 16, 1990	2,452,946
November 16, 1990	2,379,426
May 16, 1991	2,289,670
November 16, 1991	2,213,444
May 16, 1992	2,127,746
November 16, 1992	2,047,462
May 16, 1993	1,963,117
	15,473,811

Based on the exchange rate at December 31, 1989, this amount represents 28,915,911 Canadian dollars.

Arrangements have been made with this supplier and its bankers for the Government of Canada to assume these guarantees in the event of the dissolution of the Corporation.

VANCOUVER PORT CORPORATION

AUDITORS' REPORT

TO THE HONOURABLE DOUG LEWIS, P.C., M.P.
MINISTER OF TRANSPORT

We have examined the balance sheet of Vancouver Port Corporation as at December 31, 1989 and the statements of income and retained earnings and changes in cash resources for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1989 and the results of its operations and the changes in its cash resources for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with Part X of the Financial Administration Act and regulations and the charter and by-laws of the Corporation.

Peat Marwick Thorne
Chartered Accountants

Vancouver, Canada
February 23, 1990

BALANCE SHEET AS AT DECEMBER 31, 1989
(in thousands of dollars)

ASSETS	1989	1988
Current assets		
Cash	272	849
Investments (Note 1)	89,796	87,218
Accounts receivable	6,894	8,644
Materials and supplies	417	363
	97,379	97,074
Long-term receivables (Note 2)	6,702	7,120
Property and equipment (Note 3)	199,283	187,492
	303,364	291,686

LIABILITIES	1989	1988
Current liabilities		
Accounts payable and accrued liabilities	4,533	10,598
Grants in lieu of municipal taxes	3,823	6,316
Deferred revenues	2,403	2,326
	10,759	19,240
Accrued employee benefits	1,271	1,164
Loan from Canada (Note 4)	3,504	3,734
	15,534	24,138
EQUITY OF CANADA		
Contributed capital	88,273	88,273
Retained earnings	199,557	179,275
	287,830	267,548
	303,364	291,686

Commitments and contingency (Note 5)

On behalf of the Board:

CAPTAIN HECTOR D. PERRY
Chairman

COLIN B. WARNER
Director

VANCOUVER PORT CORPORATION—*Continued*

STATEMENT OF INCOME AND RETAINED EARNINGS
YEAR ENDED DECEMBER 31, 1989
(in thousands of dollars)

	1989	1988
Operating revenue	52,390	51,780
Expenses		
Operating and administrative expenses	20,823	19,441
Grants in lieu of municipal taxes	5,461	4,423
Depreciation	7,273	6,442
	33,557	30,306
Income from operations	18,833	21,474
Investment income	9,820	6,952
Interest expense	(296)	(343)
	9,524	6,609
Income before unusual item	28,357	28,083
Unusual item		
Gain on sale of land		10,000
Net income	28,357	38,083
Retained earnings at beginning of year	179,275	147,204
	207,632	185,287
Dividend payment to Canada	(8,075)	(6,012)
Retained earnings at end of year	199,557	179,275

STATEMENT OF CHANGES IN CASH RESOURCES
YEAR ENDED DECEMBER 31, 1989
(in thousands of dollars)

	1989	1988
Cash provided by (used for)		
Operations		
Net income	28,357	38,083
Items not involving cash		
Depreciation	7,273	6,442
Gain on sale of land		(10,000)
Other	730	479
Changes in non-cash operating working capital	(6,784)	6,513
	29,576	41,517
Financing		
Loan from Canada currently payable	(230)	(215)
Dividend payment to Canada	(8,075)	(6,012)
	(8,305)	(6,227)
Investments		
Additions to property and equipment	(19,704)	(12,746)
Proceeds on sale of land		10,000
Other	434	478
	(19,270)	(2,268)
Increase in cash resources	2,001	33,022
Cash resources at beginning of year	88,067	55,045
Cash resources at end of year	90,068	88,067

Cash resources are defined to include cash and investments.

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1989

General

The Vancouver Port Corporation was established effective July 1, 1983 as a local port corporation pursuant to the Canada Ports Corporation Act and is a parent Crown corporation named in Schedule III, Part II of the Financial Administration Act. The Corporation is exempt from income taxes.

The objectives of the Corporation are to manage and administer the harbour of Vancouver as an effective instrument in support of the national ports policy as set out in the Canada Ports Corporation Act.

Summary of significant accounting policies

These financial statements have been prepared by management in accordance with generally accepted accounting principles considered to be appropriate in the circumstances and consistently applied. A summary of the significant accounting policies of the Corporation is as follows:

(a) Property and equipment

Property and equipment are recorded at cost. Depreciation is calculated on the straight-line basis, commencing with the year the asset becomes operational, at rates based on the estimated useful lives of the assets as follows:

Dredging	15 to 40 years
Berthing structures, buildings, roads and surfaces	10 to 40 years
Utilities	10 to 33 years
Machinery and equipment	1 to 20 years
Office furniture and equipment	5 years

(b) Pension costs

All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the Plan are required from both the employees and the Corporation. Although the Plan is a defined benefit plan, the contributions represent the total pension liability of the Corporation and are recognized in the accounts on a current basis.

(c) Grants in lieu of municipal taxes

Grants in lieu of municipal taxes are estimated based on municipal assessments adjusted in accordance with the Municipal Grants Act. After the amounts have been audited by the Municipal Grants Division of Public Works Canada, any adjustments upon finalization are reflected in the accounts in the period of settlement.

(d) Employee benefits

The Corporation accrues in its accounts the estimated liabilities for severance pay and annual leave. These benefits are provided under collective agreements and corporate policy.

1. Investments

Current investments are in Government of Canada treasury bills and at December 31, 1989 and 1988 the market value of the treasury bills approximated carrying value.

VANCOUVER PORT CORPORATION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1989—*Concluded*

2. Long-term receivables

	1989	1988
	(in thousands of dollars)	
Non-interest-bearing agreement with B.C.Rail, due as and when rail trackage is constructed on Roberts Bank causeway or April 1, 1994, whichever is earlier	3,947	3,947
Long-term agreement for sale of No. 1 Elevator, bearing interest at 6 5/8% per annum, payable in blended annual instalments of $462,916, maturing December 31, 1996	2,528	2,805
Less current portion	(296)	(277)
	2,232	2,528
Long-term agreement for sale of No. 3 Elevator, bearing interest at 5 3/4% per annum, payable in annual instalments of $117,720 plus interest, maturing August 1, 1994	589	706
Less current portion	(118)	(117)
	471	589
Other	52	56
	6,702	7,120

3. Property and equipment

	1989			1988
	Cost	Accumulated depreciation	Net	Net
	(in thousands of dollars)			
Land	77,124		77,124	76,403
Dredging	366	201	165	176
Berthing structures	53,634	25,521	28,113	27,219
Buildings	43,133	10,691	32,442	33,473
Utilities	14,492	6,314	8,178	7,910
Roads and surfaces	32,483	18,738	13,745	13,596
Machinery and equipment	39,850	12,235	27,615	15,984
Office furniture and equipment	2,776	1,624	1,152	1,373
Projects under construction	10,749		10,749	11,358
	274,607	75,324	199,283	187,492

4. Loan from Canada

	1989	1988
	(in thousands of dollars)	
Interest-bearing loan at 7.5%, repayable in blended annual instalments, maturing December 31, 2000	3,734	3,949
Less current portion	(230)	(215)
	3,504	3,734

Principal repayment requirements over the next five years are as follows:

	$
1990	230,000
1991	248,000
1992	266,000
1993	286,000
1994	308,000
	1,338,000

5. Commitments and contingency

(a) Contractual obligations for the completion, construction and purchase of property and equipment as at December 31, 1989 are estimated at $8,285,000.

(b) At December 31, 1989, the Corporation had claims from municipalities for grants in lieu of taxes of approximately $8.0 million greater than the amount accrued in the financial statements.

(c) There are claims against the Corporation for $8.6 million plus unspecified damages. The likelihood of these claims succeeding is not determinable. The effect, if any, of the ultimate resolution of these matters will be accounted for as a prior adjustment when known.

6. Related party transactions

In addition to the loan from Canada disclosed in Note 4, the Corporation paid $1,701,000 (1988, $1,779,000) to Canada Ports Corporation as its share of that Corporation's operating expenses.

VIA RAIL CANADA INC.

AUDITOR'S REPORT

TO THE MINISTER OF TRANSPORT

I have examined the balance sheet of VIA Rail Canada Inc. as at December 31, 1989 and the statements of operations and reconciliation to Government funding basis, deficit, contributed surplus and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the corporation as at December 31, 1989 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied, after giving retroactive effect to the change in accounting for the portion of the Government's funding for capital expenditures relating to the replacement of capital properties as explained in Note 3 to the financial statements, on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the corporation that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with Part X of the Financial Administration Act and regulations and the charter and by-laws of the corporation.

Kenneth M. Dye, F.C.A.
Auditor General of Canada

Ottawa, Canada
Febuary 23, 1990

BALANCE SHEET AS AT DECEMBER 31
(in thousands of dollars)

	1989	1988		1989	1988
		(restated)			(restated)
Current assets			Current liabilities		
Cash and term deposits	13,637	4,103	Accounts payable and accrued liabilities	205,520	211,965
Accounts receivable	9,707	10,154	Federal income taxes payable	750	
Provincial income taxes recoverable	110	142	Deferred revenue	4,143	4,011
Receivable from the Government of Canada	144,651	214,816		210,413	215,976
Materials and supplies	37,216	33,873	Long-term liabilities		
	205,321	263,088	Network restructuring (Note 4)	110,579	
Long-term assets			Deferred investment tax credits	11,555	14,935
Investment (Note 5)	2,001	2,001		122,134	14,935
Properties (Note 6)	730,795	804,639			
	732,796	806,640	SHAREHOLDER'S EQUITY		
			Share capital (Note 7)	9,300	9,300
			Contributed surplus	762,328	1,202,548
			Deficit	(166,058)	(373,031)
				605,570	838,817
	938,117	1,069,728		938,117	1,069,728

See accompanying notes to financial statements.

Signed on behalf of the Board:

GARY T. BRAZZELL
Director and Chairman of the Audit Committee

LAWRENCE HANIGAN
Director and Chairman of the Board

VIA RAIL CANADA INC.—*Continued*

STATEMENT OF OPERATIONS AND RECONCILIATION TO GOVERNMENT FUNDING BASIS YEAR ENDED DECEMBER 31
(in thousands of dollars)

	1989	1988
		(restated)
Revenue		
Passenger	244,219	220,370
Contract (Note 2(a))	470,935	509,200
Other	4,430	3,138
	719,584	732,708
Expense		
Operations and maintenance	423,554	456,246
Customer and support services	229,898	220,492
General and administrative	68,156	59,037
Depreciation and amortization	53,712	54,291
	775,320	790,066
Excess of expense over revenue before network restructuring and income taxes (recovery)	55,736	57,358
Network restructuring (Note 4)	237,298	
Excess of expense over revenue before income taxes (recovery)	293,034	57,358
Income taxes (recovery)	782	(124)
Excess of expense over revenue	293,816	57,234
Reconciliation to government funding basis		
Deduct items not requiring current operating funds—		
Network restructuring	235,686	
Depreciation and amortization of properties	58,098	55,450
	293,784	55,450
Deficit for the year	32	1,784

See accompanying notes to financial statements.

STATEMENT OF DEFICIT YEAR ENDED DECEMBER 31
(in thousands of dollars)

	1989	1988
		(restated)
Balance at beginning of the year		
As previously reported	6,590	4,806
Adjustment of prior years' asset replacement funding (Note 3)	366,441	310,991
As restated	373,031	315,797
Deficit for the year	32	1,784
Items not requiring current operating funds	293,784	55,450
Transfer from contributed surplus	(500,789)	
Balance at end of the year	166,058	373,031

See accompanying notes to financial statements.

STATEMENT OF CONTRIBUTED SURPLUS YEAR ENDED DECEMBER 31
(in thousands of dollars)

	1989	1988
		(restated)
Balance at beginning of the year		
As previously reported	836,107	764,158
Adjustment of prior years' asset replacement funding (Note 3)	366,441	310,991
As restated	1,202,548	1,075,149
Capital funding from the Government of Canada	60,569	127,399
Transfer to deficit	(500,789)	
Balance at end of the year	762,328	1,202,548

See accompanying notes to financial statements.

STATEMENT OF CHANGES IN FINANCIAL POSITION YEAR ENDED DECEMBER 31
(in thousands of dollars)

	1989	1988
		(restated)
Cash provided by (used in) operating activities		
Excess of expense over revenue	(293,816)	(57,234)
Non-cash charges (credits) to operations		
Depreciation and amortization	55,025	55,604
Losses (gains) on write-off and retirement	3,073	(154)
Amortization of investment tax credits	(1,313)	(1,313)
Write-down of properties and related investment tax credits	74,183	
Changes in working capital items		
Accounts receivable	448	(746)
Provincial income taxes recoverable	32	(142)
Receivable from the Government of Canada	(5,552)	27,106
Materials and supplies	(3,343)	(9,934)
Accounts payable and accrued liabilities	53,769	12,475
Income taxes payable	750	(2,066)
Deferred revenue	132	(289)
Long-term liabilities		
Network restructuring	110,579	
	(6,033)	23,307
Cash provided by (used in) financing activities		
Capital funding from the Government of Canada	60,569	127,399
Change in amount receivable from the Government of Canada	75,717	(61,500)
	136,286	65,899
Cash provided by (used in) investment activities		
Properties	(60,505)	(126,476)
Changes in working capital items		
Accounts payable and accrued liabilities	(60,214)	41,427
	(120,719)	(85,049)
Increase in cash during the year	9,534	4,157
Cash and term deposits (bank advances)		
Balance at beginning of year	4,103	(54)
Balance at end of year	13,637	4,103

See accompanying notes to financial statements.

VIA RAIL CANADA INC.—*Continued*

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1989

1. Authority and objectives

VIA Rail Canada Inc. is a Crown corporation named in Part I of Schedule III to the Financial Administration Act. It was incorporated in 1977 under the Canada Business Corporations Act. The corporation's mission is to manage and provide safe, efficient, effective and economic rail passenger services in Canada to meet the needs of the travelling public. It uses the roadway infrastructure of other railway companies which also assure the control of train operations. As outlined in Note 4, the corporation approved a plan in October 1989 whereby its operations will be significantly reduced effective January 15, 1990.

The corporation is not an agent of Her Majesty. It is subject to the Income Tax Act (Canada) and those of certain provinces.

The corporation receives funding from the Government of Canada in the form of contract revenues and as financing for its capital expenditures.

2. Accounting policies

These financial statements have been prepared by management in accordance with generally accepted accounting principles. The significant accounting policies followed by the corporation are summarized as follows:

(a) Government funding

Contract revenue, which pertains to services, activities and other undertakings provided by the corporation for the management and operation of railway passenger services in Canada, is recorded in the statement of operations on a realized and estimated basis. Any changes in estimates are accounted for in the year of change.

Funding received as financing for capital expenditures are recorded as contributed surplus (Note 3).

(b) Charges for use of roadway and control of train operations

The corporation has an operating agreement with Canadian Pacific Limited for the use of tracks, facilities, train personnel and rolling stock servicing and refurbishing. It also had a similar agreement with Canadian National Railway Company until December 31, 1988. Charges thereunder are subject to adjustment by the National Transportation Agency following a review of the actual costs incurred each year and determination of proposed changes in railway costing methodology by railway companies. Charges for the years 1985 to 1989 have not yet been finalized.

Effective January 1, 1989, the corporation entered into a train service and other agreements with Canadian National Railway Company to cover services provided by the latter. Charges thereunder are not subject to adjustment by the National Transportation Agency.

Charges under these agreements are recorded on an incurred and estimated basis; any changes in estimates are accounted for in the year of change.

(c) Materials and supplies

Materials in store and on-board inventories are valued at weighted average cost, fuel at latest invoice price, and obsolete and scrap materials at estimated utility or net realizable value.

(d) Properties

Properties acquired from other railway companies at the start of operations in 1978 were recorded at the net transfer values. Subsequent additions, including those acquired under capital leases, are recorded at cost.

The costs of refurbishing and rebuilding rolling stock and costs associated with other property upgrading are capitalized if they are incurred to improve the service values or extend the useful lives of the properties concerned; otherwise, they are expensed as incurred.

(e) Depreciation and amortization of properties

Depreciation and amortization of properties is calculated on a straight-line basis at rates sufficient to write off the cost of properties over their estimated useful lives. The estimated useful lives for significant classes of properties are as follows:

Rolling stock	12 to 30 years
Stations and facilities	20 years
Maintenance buildings	25 years
Machinery and equipment	5 to 15 years
Office furniture and equipment	3 to 20 years
Leasehold and infrastructure improvements	10 to 38 years
Other capital properties	3 to 10 years

No depreciation or amortization is provided for projects in progress.

(f) Leases

Properties recorded under capital leases are amortized on a straight-line basis over the terms of the leases, which are representative of their useful lives.

Rental payments under operating leases are expensed as incurred.

(g) Income taxes

Government funding provided to the corporation to cover operating costs is determined on the basis of current needs. For this reason, income taxes are accounted for on the taxes payable basis as there is a reasonable expectation that all taxes payable in future years will be included in the approved formula for reimbursement and will be recoverable at that time.

(h) Deferred investment tax credits

Investment tax credits are deferred and amortized over the estimated useful lives of the related properties. The amortization is recorded as a reduction of depreciation and amortization expense.

(i) Pension plans

The corporation has two contributory defined benefit retirement plans, based on retirement age, compensation and length of service, covering all its permanent employees.

The cost to the corporation thereunder is determined by actuarial valuations which allocate to each year the applicable portion of the total estimated benefits based on projections of employees' compensation levels to the time of their retirement.

Pension expense includes both the cost of benefits attributable to services rendered during the current year and the amortization of any unfunded liability in respect of past services. This amortization is calculated over the expected average remaining service lives of the active employee groups.

(j) Employee termination and special benefits

The cost of employee termination and special benefits provided for under labour agreements and special programmes is expensed in the year in which they are granted.

VIA RAIL CANADA INC.—*Continued*

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1989—*Continued*

3. Change in accounting policy

Prior to January 1, 1989, the corporation included the portion of the Government's funding for capital expenditures relating to the replacement of capital properties as revenue in the statement of operations. This funding was included as part of contract revenue up to and including 1986 and was shown separately in 1987 and 1988.

Effective January 1, 1989, the Government's total funding for capital expenditures, replacements as well as new additions, is recorded as contributed surplus. This change has been applied retroactively and prior years have been restated.

The effect of this change is to reduce revenue and increase excess of expense over revenue for the year as well as increase the deficit at the end of the year, with a compensating increase in contributed surplus.

4. Network restructuring

On October 4, 1989, the corporation approved a plan for the restructuring of its transportation network whereby its operations will be significantly reduced effective January 15, 1990. As a result, certain properties will become surplus to ongoing needs and will be disposed of by December 1992 while employee terminations and reassignments will take place mainly in 1990.

The cost of the network restructuring, based on management's best estimates, has been expensed in 1989 as follows:

	(in millions of dollars)
Loss on write-down of properties[(1)]	76.3
Employee terminations and special benefits[(2)]	152.8
Other costs[(3)]	8.2
	237.3

[(1)] Surplus properties that have been written down to their estimated salvage values.

[(2)] Severance payments and employment security benefits governed by labour agreements and special programmes which may extend beyond the year 2000.

[(3)] Lease cancellation penalties, inventory provisions and other costs.

Any contract revenue to be received from the Government of Canada to cover these costs will be recorded as a recovery in the statement of operations in the year in which the disbursements are made.

5. Investment

The corporation owns 4% of the common shares of Railroad Association Insurance, Ltd. (R.A.I.L.), which are recorded at cost. The book value of the shares, per the financial statements of R.A.I.L. as at November 30, 1989, was $3.9 million.

6. Properties

	1989	1988
	(in thousands of dollars)	
Land	2,804	2,804
Rolling stock	600,099	540,681
Stations and facilities	21,869	12,635
Maintenance buildings	213,666	165,463
Machinery and equipment	16,562	13,476
Office furniture and equipment	26,450	23,557
Leasehold and infrastructure improvements	154,955	138,694
Other capital properties	53,530	53,096
	1,089,935	950,406
Accumulated depreciation and amortization	(355,709)	(305,099)
	734,226	645,307
Projects in progress	72,819	159,332
	807,045	804,639
Write-down of properties due to network restructuring	(76,250)	
	730,795	804,639
Assets under capital leases included in the above		
Gross value	6,770	7,239
Accumulated amortization	(2,946)	(2,119)
	3,824	5,120

7. Share capital

The authorized share capital of the corporation is comprised of an unlimited number of common shares of no par value. As at December 31, 1989 and 1988, 93,000 shares at $100 per share have been issued and fully paid.

8. Commitments

(a) The future minimum rental payments relating to operating leases mainly for real estate and computer equipment and services are as follows:

	(in thousands of dollars)
1990	14,415
1991	13,777
1992	9,768
1993	9,041
1994	9,997
Subsequent years up to 2034	264,077
	321,075

(b) There are no obligations under capital leases as lease payments applicable to the initial terms were paid in lump sums at the inception of the leases.

(c) As at December 31, 1989 the corporation has outstanding commitments amounting to $119 million, mainly in respect of upgrading rolling stock and equipment.

VIA RAIL CANADA INC.—*Concluded*

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1989—*Concluded*

9. Pension plans

The latest actuarial valuations of the pension plans were carried out as at December 31, 1987. Based on these valuations and actuarial projections made for 1988 and 1989, the accumulated plan benefits as at December 31, 1989 are $605 million. The net assets available to provide for these benefits at market related values as at that date amount to $569 million.

The amounts to be transferred to cover the accumulated benefits for former employees of the Canadian National Railway Company up to the dates of their transfer to the corporation are still subject to final determination.

Gains and losses arising from the network restructuring will be determined upon the completion of the actuarial valuations to be carried out in 1990. Management is of the opinion that such gains or losses will not materially affect the accumulated plan benefits.

10. Related party transactions

In the normal course of business, the corporation contracts with other Crown corporations for services which in 1989 amounted to approximately $117 million (1988: $163 million); amounts owing thereunder as at December 31, 1989 are approximately $19 million (1988: $28 million).

11. Contingencies

In the ordinary course of business, various claims and lawsuits have been brought against the corporation. It is the opinion of management that the settlement of these actions will not result in any material liabiliaties to the corporation beyond any amounts already provided.